AUGUST 1959

The Mortgage Banker

Jim Chandler is a mortgage banker and this is a project which he has had an important part in creating. You'll learn how when you see, at the MBA New York Convention, the motion picture about Jim Chandler and the industry of which he is a part; and for more about it now, see page 26

MORTGAGE BANKERS ASSOCIATION OF AMERICA

in this issue

THE ROSY HUE IN THE OUTLOOK FOR REAL ESTATE ★ ANOTHER LOOK AT URBAN RENEWAL ★ LAND LOANS

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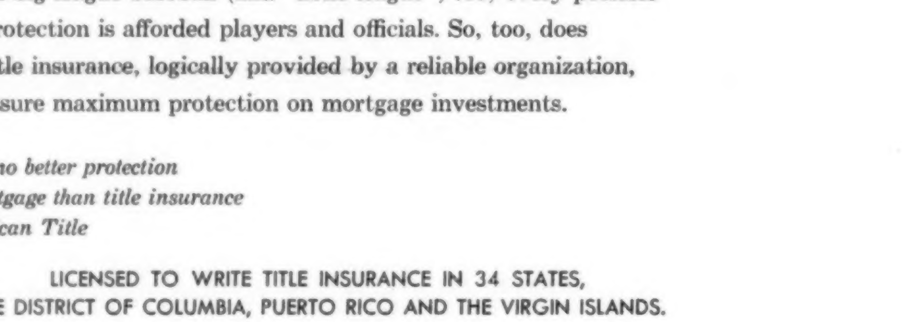

» **MEETINGS AHEAD:** This column, usually devoted to the MBA Calendar of meetings and events, just about loses its reason for being at this time of year, what with only one remaining listing for 1959. But this happens to be the most important of the year, the

46th Annual Convention, Hotel Commodore, New York, September 21-24

Don't miss it, it's sure to be the largest and most important in the MBA series of nearly a half century. And, as an indication of how far in advance MBA meetings are planned, here is what is ahead for 1960 in addition to the regular NYU and SMU Senior Executives Conferences and the School of Mortgage Banking:

Midwestern Mortgage Conference, Chicago, February 29-March 1

Southern Mortgage Conference, Jacksonville, Florida, April 4-5

Western Mortgage Conference, Phoenix, April 21-23

Eastern Mortgage Conference, New York, May 2-3

Mortgage Servicing Clinic, Minneapolis, May 19-20

The above were planned a long time ago and regional meetings for the next several years are now in the planning stage. As for annual Conventions, they're planned even farther in advance. For the next eight years MBA will meet in

1960, Conrad Hilton Hotel, Chicago, October 3-6

1961, The Americana Hotel, Miami Beach, October 30-November 2

1962, Conrad Hilton Hotel, Chicago, October 1-4

1963, Mark Hopkins and Fairmont Hotels, San Francisco, September 30-October 3

1964, Sheraton Park and Shoreham Hotels, Washington, D. C. October 5-8

1965, Conrad Hilton Hotel, Chicago, September 27-30

1966, Bellevue-Stratford Hotel, Philadelphia, October 31-November 3

1967, Statler Hilton and Sheraton Dallas Hotels, Dallas, October 16-19

The Mortgage Banker

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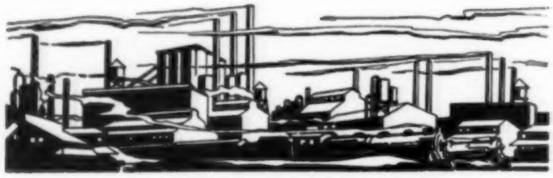
Volume 19 **AUGUST, 1959** **Number 11**

Contents

MUCH BOOM—NO BUST

WHY?



Because this nation has done a much better job of building its economic house and keeping that house in order during this period of boom than most of us realize. The built-in stabilizers have stabilized, the plans we have made to take up the slack when needed and loosen the reins at other times have worked. There's been a lot of boom but no bust—despite the fact that since 1946 we haven't had to look far to find many to predict that the bust could not be long delayed. Dr. Upgren takes a broad look at the economy and explains why this nation has done as well as it has in maintaining economic equilibrium.

THE American economy has shown the most surprising resilience and bounce in the fourteen years since the end of the Second World War in Europe.

In these fourteen years, we have had three recessions. Here are the non-morbidity statistics on these recessions. They reveal the dramatic performance and the "no bust" character of the economy:

1949 Recession — Started fourth quarter 1948. Low point reached fourth quarter 1949. GNP declined 3½ per cent. Duration twelve months. Total decline in output $9 billion.

Followed by a $21 billion recovery in the first six months of 1950. This recovery was two and one-third times the amount of the decline. The recovery all took place before the outbreak of the Korean conflict.

1953-54 Recession—Duration from previous high to bottom nine months. Decline of 2½ per cent in GNP. Amount of decline, also $9 billion. Low point reached first quarter 1954.

Followed by a $44 billion increase in GNP by fourth quarter of 1955. The recovery in 21 months was five times the decline which took place in the previous nine months. Much bounce—little bust.

1957-58 Recession—Shortest duration of all, six months from high to low. Total decline $18 billion. Amount of decline 4 per cent.

Followed by a $40 billion recovery in twelve months to first quarter of 1959. Recovery was more than twice amount of decline. Recovery continuing. . . .

Inasmuch as the entire economy increased from a level of GNP of $210 billion at the end of Second World War to $467 billion in the first quarter of 1959, "the bounce," in the economy in the 14 postwar years, has been from an index of 100 to an index of 233 at the present time. In this bounce, the "price puffery" when rubbed out reduces this boom in the economy by about one-third to not more than one-half. The declines have been as small ripples on this economic swell.

Clearly the record is one of "much boom—no bust." The resiliency in the economy in the postwar years was due to three simple forces, operating intensely, but overlooked by about 90 per cent of the economists in the United States in 1945 and by all of the official advisers to President Truman. These advisers' forecast became the "Great Mistake" of official economic forecasting for the postwar period.

The popular question at that time was: "What will happen to the American economy when the United States Government stops spending $100 billion a year for war?" The official economists of the Administration of that time felt that a recession was sure to ensue and that artificial public stimulants such as their famous "shelf of public works reserve" would be vitally needed. In fact, Major General Lewis Hershey at one time suggested that the members of the armed forces might have to be released from the service slowly in order that unemployment totals would not increase unduly. The members of the armed forces dispatched General Hershey and his argument about as fast as

By DR. ARTHUR R. UPGREN

Frederic R. Bigelow Professor of Economics, Macalester College, St. Paul, before the American Petroleum Institute in Des Moines

they moved across Germany in the final days of the war.

The three forces which gave so much boom to the postwar economy were:

» A war-time doubling of incomes generally permitting a 100 per cent increase in family expenditures for consumption.

» A war-time increase in liquid assets of $225 billion, $150 billion of which was accumulated by individuals and $75 billion of this increase in liquid assets was by corporations.

» A starved demand which was measured by Professor Sumner H. Slichter midway in the war and which had then reached a total of $56 billion.

In the postwar period, total defense expenditures did not decline by $100 billion, but did decline by $68 billion or two-thirds of the amount contained in our hypothetical question. This meant that the Secretary of Defense did reduce expenditures by $68 billion. Why did we not have a recession?

Because women of America had a capability for spending fully comparable to that of the Secretary of Defense. Family expenditures, out of increased income and accumulated liquid assets, increased mightily. There was a rush to lift family expenditure rates and to end the vacuum starved demand which had been noted. Family expenditures rose at once by $36 billion, business expenditures for new plant and equipment and inventories now needed to supply the rising family expenditures were increased by $20 billion, our shipments abroad increased by $7 billion and state and local expenditures now again could increase and did increase by $3 billion. It was this total expenditure increase by $66 billion which offset all but $2 billion of the $68 billion decline in expenditures for war and the job was done by 1946!

In fact, the immediate postwar period was filled with "over-full employment." The evidence of the over-full employment is the sharp rise in prices and in wages which occurred from 1946 through 1948.

Here, then, we see what I call "much boom" in the economy. Total output in current prices had increased by more than $250 billion since the end of the war, and well over half of this increase was in "real terms," meaning the increased production and expenditure measured in physical, not monetary, volume.

Boom, then, there had been. But why "no bust"?

The answer is found in the fact that we have built automatic economic snubbers and stabilizers into the economy. Here is how they operated in the recent 1957-58 recession:

Total output, GNP, declined $18.5 billion. Of this decline of $18.5 billion, without getting much credit for its heroic performance, no less than $12.5 billion was offset by business in effect better to sustain the economy; and it was offset by that amount of decline in corporate profits.

The decline in corporate profits of $12.5 billion largely represents the maintenance of wages above sales receipts by corporations. This is verified in the observation that total compensation of employees declined by only $6.5 billion in the recession. In other words the decline of corporate

profits was due to expenses continuing in the recession above the depressed amount of corporation production and sales. The primary expense is wages, and total wage payments were thus maintained. The decline in corporate profits of $12.5 billion was shared one-half by the United States Treasury and one-half by the decline in the retained profits of corporations or what we call "corporate savings." Thus did a loss in budget receipts of the Federal budget finance maintained incomes. Certainly the maintenance of wage incomes at a level $12 billion above the decline in total production of $18 billion was well worth the contribution we have seen in the deficit of the Federal Treasury and in the "shrink" in corporate retained profits.

The evidence lies in the sharp recovery in both Federal Treasury budget receipts and in corporate profits. Corporate profits have recovered to about 10 per cent above *the predepression level.* The Federal budget receipts, as a result of the recovery, have gained by about $10 billion. Thus did the losses in incomes, to corporations and the Treasury, finance better maintained incomes of the families of America and thus were those families by their maintained consumption able to produce the dramatic $40 billion recovery in gross national production (GNP) since the low point of the recession in the first quarter of 1958.

But these are not the only stabilizers we have built into our economy. In addition to the maintenance of wages, an increase of $3 billion was paid to the unemployed workers in the form of increased unemployment compensation. Now we see why personal income in the United States in the recession at the worst declined by only $3.5 billion. Adding to this the decline in personal income taxes resulting from the moderate decline in personal incomes and the modest reduction in family savings, we see why consumption was so very well maintained *right through the recession.* In fact, consumption declined by only $2.1 billion and this was only six-tenths of 1 per cent of total consumption.

We have now seen how the automatic economic snubbers and stabilizers maintain consumption. However, production did decline by $18 billion. How could consumption be so well maintained in face of a much more marked reduction in production? The answer lies in the fact that in the recession consumption was "fed" out of inventories. Inventories, of course, can supply consumption *this* year, but the production of those inventories produced incomes *last* year. But the liquidation of inventories and our business reduction of more than $11 billion of investment in inventories could no longer continue. In the final half of last year, consumption and production had to rise as we now, having liquidated inventories so substantially, had again to produce all the goods we were consuming. The production rate rose sharply. This caused re-employment and re-employment has increased personal income

(Continued on page 14, column 2)

Management of U.S. Debt Has Been Handled Well

Today, with the great concern over the status of government bonds, rising interest rates and the mounting cost of financing, is a good time to consider whether we have failed in debt management, and if so, where. The only conclusion is that the job has been well done—despite the seemingly difficult position of the moment.

A LONG view of the ownership and distribution of U. S. Government securities as compiled by the Treasury Department gives an insight into the manner and the effectiveness with which the Federal Government has managed the public debt—a debt which has grown sixfold over the last two decades to its present record level of about $285 billion.

There have, of course, been problems at times, inherent in a debt of the size it has attained, its enormous economic influence, and the fact that a chronic shortage of savings to meet the nation's capital and investment needs has characterized most of the post-World War II period.

Over the past year, for example, the debt and its management have attracted widespread attention as the result of the impact of a record peace-time budget deficit in an inflation-charged atmosphere and in a period when the demand for savings and investible funds rose rapidly in keeping with the economy's rebound from the 1957-58 recession. Under such conditions, the rigidity of the interest rate structure on the public debt has put Federal securities at a competitive disadvantage with funds needed to promote production and economic growth.

Through it all, nonetheless, the basic principle of Federal fiscal policy has been maintained, to finance the public debt out of the savings of individuals and other investors to the maximum possible extent to promote economic stability and to help keep inflationary forces in check.

Under the circumstances, it is significant that the banking system still holds only about a third of the public debt, a proportion which has changed little in recent years. Holdings of the public debt by the nonbanking public, amounting to $140 billion at the end of February, are now near their all-time high and represent about half the total debt as they have for years. The balance of outstanding Federal securities is held by U. S. Government trust funds and investment accounts, such as the Social Security System.

It is natural in an economy like ours to find changes in the holdings of Government securities, as of other types, among various investor groups over the years, reflecting the shifting tides of demand, need and emphasis. During World War II, for example, when the nation's survival was at stake, public debt holdings of certain institutional investors reached record levels to help provide the funds needed to prosecute the war. At one time during that period the life insurance companies held over $21 billion of U. S. Government securities, close to half of all their assets and an abnormally high proportion.

With the resurgence of demands for funds in the postwar period from the private sectors of the economy—homeowners, business and industry, and others—life company holdings of U. S. Government securities were reduced to more normal proportions to help meet the need for credit and capital funds to promote economic growth. Similar trends in reducing

holdings of Government securities are found among other institutional investors, such as mutual savings banks and corporate pension funds.

Much of the shift of funds from Government bond holdings flowed into the home mortgage field to meet the housing needs of a rapidly expanding population, helping millions of Americans to own a home of their own. Government encouragement to expansion of housing was provided by FHA and VA mortgage guarantees. Right now the life companies hold an aggregate of $15 billion of FHA and VA mortgages, practically a third of these loans outstanding and making the life companies the biggest single holder of this Government-sponsored debt.

In view of the pressures for lendable funds, it is significant to note that life company holdings of U. S. Government securities increased during 1958, and that purchases in the first quarter of 1959 were nearly double those in the like period of last year.

Behind the shift in the holdings of U. S. Government securities of institutional investors in recent years is the great growth in the demand for capital and investment funds in keeping with the expansion of the economy. Savings have not been showing a commensurate growth, and an inevitable "pinch" has resulted, enhanced by the magnitude of Government deficit financing.

An indication of the situation is provided by capital market figures compiled by the Life Insurance Association of America. These figures show that, in the current decade, demands for long-term funds to meet the needs of business and industry, Government (Federal, State and local), and home owners ranged from $17 billion in 1950 to over $36 billion last year. The maximum ability of the life companies and other savings institutions combined to meet this demand was in 1956, when they contributed 65 per cent of the total. Last year, with the demand for funds two-thirds greater than in 1956, the savings institutions were able to meet only 44 per cent of the total. The gap was filled by the banking systems, Government institutions, and other investors such as fire and casualty insurance companies, nonfinancial corporations, and individuals.

1959 Has Been a Year of Unusual Legislation

The first omnibus housing bill gets a Presidential ax; Florida passes the first mortgage licensing law; Pennsylvania sees a law introduced which would limit out-of-state investors from servicing mortgages in that state—but this one fails of passage. All in all, it has been an active legislative year.

FEW years have seen so much legislation affecting mortgage banking introduced as has been true in 1959. The omnibus housing bill was vetoed by the President, an act which in itself was unusual because we have more or less come to expect some kind of broad housing legislation each year. In states across the land, laws were being changed to provide for higher loan-to-value ratios, a development on which we reported in the June issue and will do so again when more complete data are available. Generally speaking, in the national capital as well as in many states, this has been an active year from a legislative standpoint. One of the most interesting developments took place in Florida.

A law regulating the mortgage industry and licensing those in it—believed to be the first such legislation ever enacted in this country—becomes effective in Florida on September 1 and represents the culmination of several years of work on the part of the Florida MBA. Known as the Mortgage Brokerage Act, the bill is aimed at keeping undesirable persons and organizations from engaging in the business to the detriment of the substantial elements in it, and thus assist in maintaining the high standards of the profession. The Act is a comprehensive piece of legislative planning and spells out the differences between mortgage brokers and mortgage solicitors and provides for licensing fees for each. It also calls for deposit with

the state's new Mortgage Commissioner for a bond for brokers authorized and licensed to do business. It spells out specifically how suspension or revocation of licenses will occur because of misleading advertising, concealment of material facts, and every manner of subterfuge which might be used. The law also specifically sets up a schedule of maximum fees on commissions which may be charged for mortgage loans.

For many in the mortgage industry the idea of such rigid regulation may, at first glance, seem distasteful, but in a rapidly-growing area such as Florida abuses can and have crept into the business. The Florida MBA as far back as eight years ago, set up a Committee to Regulate Mortgage Brokers and has been seeking a formula or plan whereby all individuals and companies could come under some reasonable regulation. The state has a real estate licensing law but under it the negotiation or sale of mortgages is not included within the definition of real estate broker. Attempts were made to amend the present real estate law to include anyone engaged in originating or selling mortgages as a real estate broker. During the past year, however, the Florida Real Estate Commission took a firm stand in this matter and declared that it could not assume jurisdiction in the mortgage field. Thus, it became apparent that a separate regulatory body must be established. The State Comptroller, Ray Green, agreed to assume jurisdiction and act as Mortgage Commissioner, following which a draft of the present law was prepared and went through several revisions. As a result, the present law was passed unanimously at this session, and the Mortgage Commissioner is now working with representative mortgage bankers in formulating the regulations to govern the Act's operations.

As a result, Florida will soon have what is thought to be the first such licensing and regulating legislation in the country, and it is the consensus that an important step in maintaining high standards of mortgage banking has been accomplished.

The Florida MBA has been extremely active in state legislation over the years and has previously recorded some significant achievements in other fields. Six years ago it was instrumental in securing new foreclosure legislation which shortened the redemption time and reduced costs. Florida has also been a state where anti-coercion legislation has been prominent and a determined stand was taken on that matter. Just this year legislation was introduced concerning "balloon" mortgages. The bill that was introduced was not acceptable to the industry and would have been harmful in its operation. Through the efforts of the state group the unfavorable provisions were removed and it will, in effect, apply primarily to short-term second mortgages.

In Pennsylvania a bill was introduced, the like of which probably has never been seen in a legislative body before. It passed the House but was buried in a Senate Committee. It was a bill to bar non-Pennsylvania banks and insurance companies from purchasing mortgage loans in the state unless the loans are purchased from

and serviced by a Pennsylvania mortgage banker. Aim of the bill, it was said, was to keep the business of servicing mortgages in Pennsylvania. As originally introduced, the bill affected all mortgages, but it was amended to apply to residential mortgages only.

Officials of out-of-State investors told local mortgage correspondents the bill would act as deterrent to their investing.

Proponents of the bill contended that, even with its restrictions on out-of-State lenders, there still would be many banks and insurance companies which could continue to invest heavily in Pennsylvania home mortgages.

These include, the argument goes, all Pennsylvania institutions. Those barred from purchasing mortgages except through servicing companies could become eligible to do so by registering to do business in Pennsylvania and opening an office there, or by letting a Pennsylvania mortgage banker do the work for them.

The bill's backers point to complaints that out-of-State mortgage lenders, because they lack personal contacts here, are too quick to foreclose on delinquents, etc.

Local institutions, they say, have better relationships with borrowers and are better located for home-owners to talk over their problems.

MUCH BOOM—NO BUST

(Continued from page 10)

by $17.5 billion since the low point in the first quarter of 1958. Consumption has risen by more than $14 billion. Business investment in inventories has risen by $12 billion, housing expenditures have increased by $4.5 billion, and the expenditures of all government have increased by $9 billion. The increased expenditures by government have been primarily of state and local governments and of the Federal Government for the support of farm commodities.

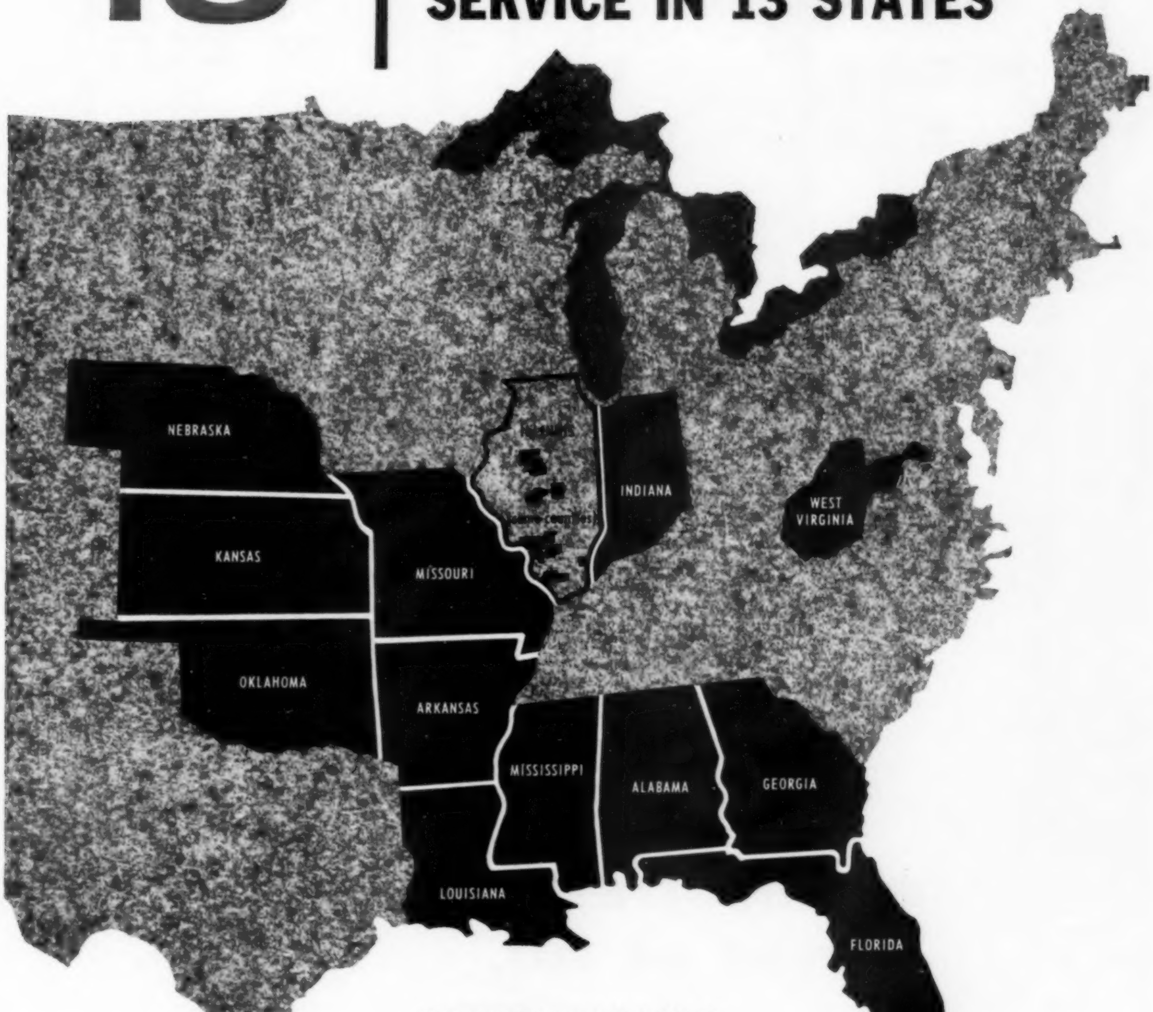
Now we see how total production has increased by $40 billion in the twelve months ending last March, and to this will probably be added an $8 billion increase in the present quarter.

Certainly we can say that there has been "much boom—no bust" in the American economy since the end of the Second World War.

» MORTGAGE TOTAL: After a two-year slackening in the rate of growth, mortgage debt on nonfarm homes moved upward at an accelerated pace in 1958 with an increase of $10.4 billion or 9.7 per cent over 1957 to a final total of $118 billion. The amount of expansion was $1.8 billion greater than the increase in 1957, slightly less than similar additions in 1956, and $2.1 billion below that of 1955.

The debt increase from July through December amounted to $6.3 billion or 61 per cent of the net gain for the year.

13 | T-I-C OFFERS "HOMETOWN" SERVICE IN 13 STATES



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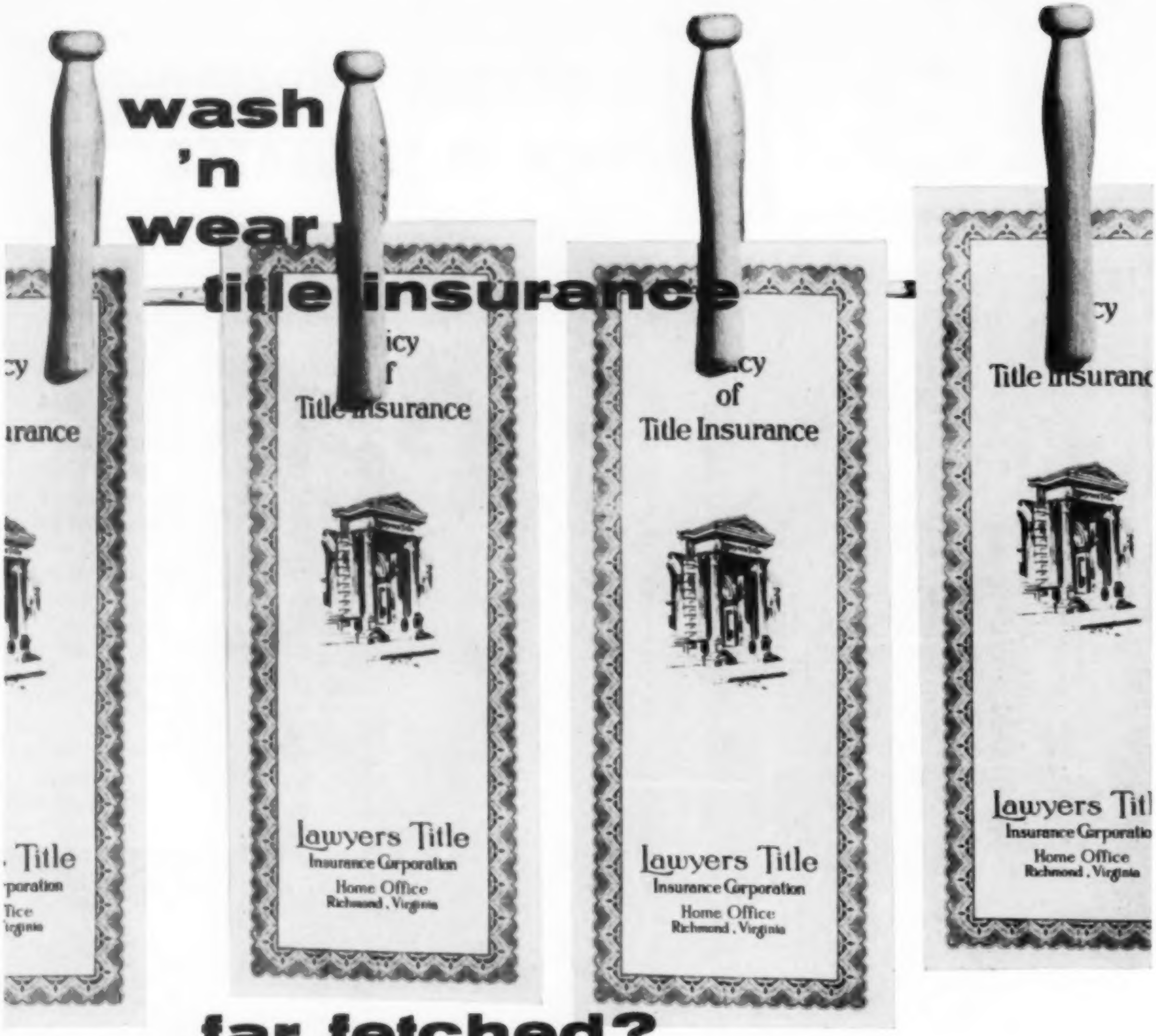

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Crisis in the City: Downtown Decay

The crisis which most American cities face today is, in large measure, the crisis brought about by the decay in their older areas, by the slums and blighted sections which creep right to the doorsteps of downtown. The trek to suburbia, the flight from the city, and all the other manifestations of urban decline are recognized and their importance assessed. What is new and what probably is the most encouraging single development in the whole field of urban renewal is the recognition that the decay of downtown must be arrested if city life in its present form is to be preserved. A great deal has been accomplished so far and a great deal more is to come, as is told in this second in our series on urban renewal today.

By **ROBERT J. BERAN**

AT THE heart of any city is its central business district—its economic core. It is here that many of a city's important commercial and industrial interests own property, maintain offices and conduct a major portion of their business. And, it is from this economic heart that a city will draw the lion's share of its tax revenue. Upon it may well hinge its municipal solvency—or insolvency.

Today, however, the entire structure of the American city is in a state of change. Urban deterioration is increasing faster than our efforts to correct it. Blight, obsolescence and neglect are forcing upon the central districts of most American cities a continually advancing fringe of slums. And in the downtown district, itself, there is a shortage of available land for new building.

As blight spreads, those families who can afford it—generally those in the middle and higher income groups —escape to the suburbs. Downtown retail stores, naturally enough, follow the family groups as they move outward. Soon other commerce—and industry—joins in the "flight to the suburbs" thus withdrawing support from the central city.

Gradually, the nature of the urban market changes; and, ultimately, the entire economic base of urban income-producing properties is affected. Not only does the obvious economic advantage of a central location become neutralized; but, once the purchasing power of its immediate market has been reduced, the result is a steady decline in business in the central business district.

Surveys in recent years show a distressingly sharp decrease in the overall number of manufacturing firms in the downtown areas of our cities. And those that do remain in their downtown locations operate on a greatly reduced scale or retain only administrative offices in the area, with actual manufacturing operations carried on elsewhere.

The steady deterioration of the central city is, indeed, one of this country's great domestic problems. Summing it up concisely, the President's *Advisory Committee on Government Housing Policies and Programs*—as far back as December of 1953, when it first recommended a broader liberalization of anti-slum and anti-blight legislation—described the plight of the central city in these words:

"The fact is that our cities are caught in a descending spiral which leads to widespread municipal insolvency. The accumulated and continuing spread of blight eats away at the assessable base of the cities. As the blight spreads, it is inevitably followed by crime, fire, disease and delinquency. Thus, does the need for city services increase. But the city's ability to meet the increased budget is automatically impaired by the very blight that creates the demand.

"More blight, more demand for services, less revenues to meet the demand — that," as the Committee pegged it, "is the downward spiral in American cities." It creates a vicious cycle.

A problem of desperate proportions, it is one which can bear no other solution than complete and major reorganization of the central city. What is needed is a new central core—revitalized and updated to meet the requirements of the age in which we are living. To accomplish this, we must utilize all of the tools at our disposal. And, surely, the best possible approach—the most effective—lies in urban renewal.

From its original conception urban renewal was intended as an instrument of slum clearance, aimed at providing open land for housing and for other new construction. In this way, the downtown areas of our cities would be strengthened or, at least, would be placed in a better competitive position with the rapidly expanding suburbs.

"In a sense," declares M. Carter McFarland, director of HHFA's division of economics and program studies, "urban renewal was initially conceived as a countervailing force to the peripheral explosion."

This was the view in 1945. "Even with the major changes wrought in 1954 to broaden and deepen the idea of urban renewal," McFarland points out, "the program remains today one which is predominantly focussed on the revitalization of the central core of American cities."

As such—for the central city—it may well be the one *necessary* and *indispensable* condition to economic survival and municipal solvency.

Many cities, even though recognizing the need for breathing new life into their dying central districts, waver in the face of the risk—real or imaginary—which might attach itself to any urban renewal operation. Risk? Indeed, in the case of most cities, *not* to redevelop downtown presents an infinitely greater risk!

Former HHFA Administrator Albert M. Cole did not overstate the issue when he warned that "any city which does not set in motion by 1960 a comprehensive program to halt blight will be flirting with municipal ruin by 1965." Of absolute necessity, the years immediately ahead must introduce rapid and all-embracing changes into the central cores of just about all of this country's major cities. Whole areas that for the past 25 years have represented the decaying, dying sections of our cities' business and commercial sections will have to be torn down, replaced, rebuilt. Entire new concepts in both living and working must be brought into play.

Aside from the multiple intangibles —good planning, imagination, the pooling of ideas, civic pride—it will, above all else, take big money.

In those cities whose foresight and planning have directed their urban renewal activities where, overall, few cities have ventured—into the very center of downtown—plans already in one state of progress or another involve tens of millions in financing.

Last month's issue of THE MORTGAGE BANKER carried ACTION President James W. Rouse's very perceptive article on "The City," in which he dealt in some detail with what is considered to be one of the boldest redevelopment projects yet proposed —Charles Center, in Baltimore, America's original "fight blight" city. This 22-acre, $127 million project planned for the very heart of the city's central business district is, actually, less a "project" than an integral and continuous part of the downtown section. Its design conforms to the surrounding area and blends the Center into that area. It will consist of precisely that which belongs in the heart of downtown — offices, entertainment facilities, a hotel, stores, a transportation terminal, parks, garages, etc. It will not attempt to introduce a rebuilding use which might be at fundamental odds with the area's previous use.

Nor will the project use a dollar of state or Federal subsidy. And, as Rouse pointed out, the city expects its entire investment to be returned to it —through increased tax revenues—in less than 20 years. With the assessable base of its central business district increased by over $50 million, Baltimore's city fathers anticipate a net increase in tax revenues of fully $2 million a year.

From November 7, 1957, when planning was first initiated, to January of this year when the acquisition of property, relocation of businesses, selection of redevelopers and the demolition of buildings, etc. actually got underway, the progress of Charles Center is an amazing record of achievement.

Newark, another good "copybook example," was—in 1953—a typical older city. Its business district was surrounded on all sides by slums, its commerce and its business leadership was heading for the suburbs. Just at that time, fortunately, the city's outmoded and ineffectual commission form of government was replaced by a mayor, a business administrator and council. Immediately big plans were set into motion: an 18-man committee of business and labor leaders was appointed to work with the mayor, and a full-time professional planner was hired to work with the new business administrator and with Newark's volunteer planning board.

The psychological uplift was terrific. The city's commercial and industrial interests took new heart; and, as an affirmation of confidence, began investing again in downtown. The outward flight reversed itself.

Leading the way was Mutual Benefit Life. In what was the first big move *back,* the insurance giant abandoned its plans to relocate on 150 acres of suburban property and, instead, acquired a 4½-acre area in the commercial district that was so badly run-down. Clearing away the obsolete, deteriorating buildings, Mutual Benefit erected in their place a $20 million project which includes their own $10 million headquarters building, two rental office buildings and a three-level, 1,000-car garage.

Prudential Insurance Company— also on the verge of moving to the suburbs—decided, instead, to stay; and it, likewise, has started work on a $20 million office center for itself and Fidelity Union Trust.

Many retailers in the surrounding downtown district have renovated and refurbished their own stores to conform with the new buildings. And yet to come will be "Newark Plaza"— a former skidrow of flophouses and saloons, behind the city's Broad Street business center. Looking upon this area as "the core of the city's future," future-minded civic leaders visualize there a big new downtown addition of office buildings, hotels, department stores, parking garages and restaurants.

A leader in U. S. town-planning over three centuries ago, New Haven, Connecticut—whose legacy to America has been the village green—is another of this country's wide-awake, alert cities which is striking a bold blow for central city redevelopment. Since 1955, New Haven has cleared

nearly 80 acres of slums and has turned its once lagging renewal program into a model of civic action.

Now, carrying its redevelopment activity to the very heart of its downtown district, the city is undertaking a project estimated to cost $85 million and embracing an area of some 96 acres in central New Haven. On the bulk of this area, the city plans a 19-acre commercial park for office buildings and laboratories, an 8-acre school and recreation center, along with new housing and parking facilities.

Main focus of redevelopment is on the district's edge—where four blocks of aging shops and lofts along Church Street, the town's main shopping avenue, are being demolished. Replacing this will be a substantial commercial development, including a shopping center, a bank, a 16-story hotel and office tower, a restaurant and a parking garage for 1,500 cars.

Known officially as the Church Street Project, it should—in its entirety—cost the city about $500,000 in cash, with $2.9 million in capital improvements, plus a Parking Authority outlay of roughly $7.5 million. Under the loan-and-grant contract signed with the Urban Renewal Administration, the Federal government will put up $25.9 million as a loan and $13.2 million as a grant.

Rochester, New York, also is engaged in a unique reconstruction program—the most notable feature of which is an entirely new $40 million downtown shopping center. Including various related facilities, somewhat on the order of a bazaar and all under one roof, this is the first such *new* downtown shopping center in the country. It is Rochester's answer to the threat of the suburban shopping center. To be known as "Midtown Plaza," the center—just one feature of what is considered to be among the most imaginative, well-rounded urban renewal programs in the U. S.—will be skylighted and air-conditioned the year around.

Likewise, a 26-acre site is being cleared behind the city's new civic auditorium completed in 1955; and construction is underway on a monumental, $50 million complex—to include office, court and public safety buildings—built above a 1,200-car, two-level underground garage. In addition, a 70-acre slum area is being cleared for Title I middle-income housing; and the city's "workable program" has been recently cleared by Washington and can now be used as a lever for wider redevelopment.

In the South, Nashville is a leader in this area of redevelopment—with a forward-looking program which has given its Capitol Hill area a brand new look, converting what had been a 72-acre area of slums with a 1952 tax revenue of $23,000 to an attractive business district with a $178,500 tax revenue potential.

Estimated gross cost of the project is $11,727,901; while the net cost, after credit is taken for the sale of land and other income, is estimated at close to $8 million. The local contribution amounts to one-third of the net cost and the remaining two-thirds is covered by a Federal grant from the Urban Renewal Administration.

Of course, Pittsburgh and its nationally famous "Golden Triangle" rehabilitation project—also discussed by Mr. Rouse in his article, "The City"—is another prime example of what a city can do when it sets its mind to it. A privately financed redevelopment of that city's downtown area, the "Triangle," as far back as four years ago, had then already added some $29 million to assessed valuations. With full development of the project since that time, Pittsburgh estimates that the tax base has continued to increase.

Equally important has been the tremendous psychological impact wrought by the city's revitalization. Prior to the initiation of the project, the Pittsburgh business world was hard put to attract to it the young executive class; they did not want to locate in Pittsburgh. Now, however, they are eager to do so.

And so the picture takes shape, in city after city: in Boston, the long-awaited Back Bay Center is being built where the Boston and Albany

(Continued on page 23, column 2)

New Haven is one city that has attacked the problem of decay head-on. It struck right at the heart of the problem by striking right at the heart of the central area, clearing more than 80 acres of slums, and embarking on a project to cost more than $85 million. New Haven is an old community—when it gets through with what it is doing downtown it will be prepared for another period of growth such as it has had in the past.

A SECOND U.S. IN 40 YEARS

That's about how promising the outlook is—the prospect that in another 40 years the growth in population, the expansion everywhere, will be such that a second U.S.A.—an entirely added nation—will be created. Turning from the very long term outlook, these are Dr. Smith's forecasts for the various types of construction in the immediate period ahead—where we can anticipate the greatest increases and where expansion will not be so pronounced.

CONSTRUCTION has been in a boom since World War II and every year since 1946 has set a new record, both in the Dodge contract figures and in the government's work-in-place series. Even three recessions have not been able to interrupt this steady upward movement.

This prosperous condition was a source of great satisfaction to most people concerned with it, but as always, a few expressed unhappiness. At any given time from 1946 on, you could find a handful of people plaintively asking, "Yes, but can it last?" The fact that it has lasted for 14 years has dampened the pessimism of some, but their places have been taken by others.

The most frequent question asked by the chronic pessimists is "Aren't we in great danger of over-building?" In 1955 the argument reached its peak at a Washington meeting. Housing was doing pretty well that year, and one man stoutly argued that since the nation simply couldn't sustain that pace, we should immediately begin restrictive measures to cut down the rate of home-building in 1955. When it was unkindly pointed out to him that in effect he was suggesting that we engineer an immediate housing decline in 1955 in order to prevent a possible decline in 1956, he took refuge in the statement that the nation couldn't absorb half the housing it was building anyway.

This all-too-frequent idea that the construction industry is building way out in front of its market, and is likely to fall flat on its foundation, seems to me to be faulty reasoning. It is exactly the wrong point of view, and it stems, I think, from a mistaken theory on the part of people who should know better that the construction industry turns out a tremendous number

By **DR. GEORGE CLINE SMITH**

Vice President and Economist, F. W. Dodge Corporation at the New York Society of Security Analysts

of building projects and then sets about finding buyers for them.

That isn't the way it works at all. Many of the major categories of construction have no speculative element whatever. The whole field of heavy engineering — highways, dams, public utilities — is non-speculative. So is much of the non-residential building: schools, hospitals, factories, churches, jails, public buildings, all are built on order for owners. There is a small speculative element in commercial buildings, but even here, it is a rare shopping center or office building that is put up before the owners have located at least their major tenants.

That leaves housing as the principal area where speculation may occur. But here, too, there is surprisingly little building out in front of the assured market. Many developers build from models, and undertake construction only when they have a buyer. Others build perhaps a month or so ahead of sales; if the flow of sales turns down, they curtail their flow of housing starts. Since a typical house can be put up in a few months, the builder can react quickly to market changes.

There are many factors which keep builders from getting too far ahead of the market. Common sense is one, but even if this should fail, there are others. Most builders depend on borrowed funds; new construction is financed out of past sales, and it is financially impossible for them to push ahead too far. And the generally conservative judgment of financial institutions is strongly present in most housing operations.

This doesn't mean that over-building is impossible. We have all seen unoccupied stores, vacant floors in office buildings, apartments which fail to rent, and houses which are slow to sell. But while some enterprisers may lose their shirts this way, their numbers are much smaller than one might suspect. While figures are hard to come by, I imagine that not over five per cent of the construction projects under way at any given time could be characterized as speculative; and only a small fraction of these contain any serious element of risk.

What I have said, of course, assumes the maintenance of reasonably good economic conditions. In a recession, it is entirely possible to have too much of anything—autos, TV sets, or houses. In this sense, construction is like any other industry. The point I want to make is that overbuilding—meaning building too far ahead of the market—is not an important consideration in the construction outlook. What lies ahead for construction is, however, strongly affected by general business conditions. Construction is by far the nation's largest fabricating industry; what happens to business in general affects construction, and vice versa.

In relating construction prospects to the business outlook, it isn't necessary to spend much time on the short-term. For the rest of 1959 and for 1960 we seem assured of a very high level of prosperity. So many powerful influences are pushing upward right now that it would be extremely difficult for any real turnaround to occur in the next 18 months or so.

In general, construction activity should parallel the pattern of the economy. In normal times, new construction put in place runs around 11 or 12 per cent of the gross national product, and there is no reason to expect a shift in the pattern now.

But construction is many different things, and not all parts of the industry behave in the same way as the aggregate. Housing, in particular, is sometimes out of step with the rest of the industry. If this seems paradoxical, you must remember that housing is in something of an artificial position, serving in changing capacities—sometimes as a first stage rocket, sometimes as a wet blanket, and always as a political football. I won't apologize for using this mixed metaphor, because these terms express the contradictory and unsatisfactory position of home building in our political economy.

In recessions, housing is looked upon as a means of rocketing the economy upward. The most recent example was only last year, where all sorts of stimulants were applied to boost home-building as a recession antidote—stimulants which were highly effective, too.

In prosperous times, housing is used as the wet blanket to dampen booms. We don't have to go much further back in history to find an example of restrictive action, through tight money and tougher credit conditions. The paradoxical decline in housing activity during the prosperity of 1956 and 1957 will serve nicely to illustrate.

And, because housing is so highly dependent on government action (both legislative and administrative) it is always subject to political pulling and hauling. The ocean of tears spilled over proposals to make small increases in the 4¾ per cent interest rate on G.I. home loans, at a time

when the same veterans were perfectly willing to pay double that rate for auto and appliance installment financing, is just a sample.

It is extremely difficult to forecast government actions, and it is therefore nearly impossible to be sure of the accuracy of housing forecasts. In the first half of 1959 home building has been going on at a satisfactory rate (not, mind you, at a really high rate) but there is some doubt whether it will remain at its current levels. If, as seems likely, housing starts do fall off somewhat in the second half of 1959, this will only be a repetition of the pattern of past periods of prosperity.

But I don't expect the decline in housing to be severe. The rate of starts might drop to a million and a quarter a year, but I think that is about rock bottom for this year and next. If favorable government action is forthcoming, the record could be a lot better.

Meantime, other important types of construction will be in a rising trend. The most spectacular improvement in the next couple of years should occur in factory buildings. The late lamented recession was heralded by a decline in contracts for new factory buildings that began early in 1957, and this category has only recently begun to perk up. As business increases its plans for spending on new plant and equipment, big percentage gains are to be expected for industrial building. Outlays for this type of building in 1960 could easily be 75 per cent above last year's level, and even an increase of 100 per cent is not impossible.

Commercial buildings, largest of the non-residential building groups, are continuing their steady post-war rise. Store buildings account for all of the increase so far this year, offsetting a fairly sharp decline in office buildings. Prospects are that this pattern will continue in the short-range future, with perhaps some improvement in office building contracts.

The second largest non-residential category, school buildings, is something of a puzzle. School contracts so far this year have been running behind last year, despite forecasts of increases. The reason probably lies in the financial difficulties of state and local governments, and some indications of reluctance on the part of voters to go along with high local budgets, taxes and bond issues. Despite the decline, which can only be temporary, school building this year will still provide an enormous market of about two and three quarters billion dollars.

Hospital building this year will show very sharp gains over last year. Total contracts for hospitals in 1959 may come very close to a billion dollars.

In the field of heavy engineering, highway construction should provide an even bigger spur to the economy this year than it did in 1958. The value of contracts awarded this year will be about the same as last year, but the volume of work performed under new and earlier contracts will rise more than 20 per cent. Total outlays, including some non-construction costs, are estimated at $7.1 billion for 1959, and further expansion is slated for next year.

Contracts for electric light and power systems, the second largest of the heavy engineering categories, are running 11 per cent ahead of 1958, and utility plans call for several years' expansion, at least.

All in all, the short-term outlook for construction is very bright indeed, with 1959 scheduled to set new all time records for total contracts and for total construction work performed.

The short-term outlook will be followed by the Soaring Sixties. So much has been written, and so much is expected of the next decade that it hardly seems necessary to re-hash the prospects. It is worth noting, however, that this long-awaited period is almost here—just a few months away, in fact.

The main feature of the Sixties will be quite like that of the Fifties, only more so—booming population growth. The groundwork was established in the bumper baby crops of the Forties: young people who will be reaching marriageable age in the Sixties, with new and larger baby crops to follow in due course. A fairly conservative estimate is that in the Sixties, our population will grow by about 34 million, roughly equivalent to the total present population of Canada, Cuba and Australia combined. This means a tremendous new market, not only for construction but for nearly everything else.

The fact that construction is going to offer an enormous and lucrative market has not gone unnoticed. Suppliers of goods and services to the industry have multiplied rapidly in recent years. Manufacturers whose lines included no building materials have suddenly become interested in curtain walls and roofing, flooring and finishes. The number of contractors has been rising for many years, and promises to continue growing in the future. Despite all the potential market expansion, it is quite likely that competition in the building business will be even more severe in the future than it is today. Sellers of goods and services will have to be alert and work hard to get their share of the greater market.

Now that the Sixties are almost here, and have been so thoroughly discussed by so many analysts, perhaps it's time to look even beyond them. Much of the investment we are now making or contemplating will be producing far beyond the next decade. The long-range future will be with us for a long time, obviously; now is the time to plan for it.

By the year 2000 (only a forty-year mortgage away) the population of the United States has been estimated (again conservatively) at 340 million. For every person alive today, we will have two in 2000 A.D.

This population explosion will not be an unmixed blessing. Before someone else makes the invidious comparison for me, I will observe that this 340 million population is pretty close to India's today. But while we will have problems, I don't for a minute believe that our case will parallel that of India. It hasn't so far, and it won't in the future.

The big difference, unquestionably, lies in our economic system, which gives us the incentive and the means to expand, to provide not only for more people but to give those of us already here a continually expanding standard of living. So long as we preserve and perfect this system, population growth can be a boon rather than a burden.

There's no question that expanding domestic markets will be the dominant factor in our future economy. To take only one example, look at the prospects for housing.

To provide living quarters for our

additional population, we will have to build 48 million new dwelling units by the year 2000. But this is only a starting figure, because there must also be some provision for replacement of houses for reasons ranging from highway building to obsolescense, from tornados to termites.

A modest estimate for replacement is 400,000 units a year. I say modest advisedly, because this is a replacement rate of only about three-fourths of one per cent a year; at this snail's pace it would take over 130 years just to replace our present housing stock.

Adding replacement needs to the requirement for new population, we find a total of 64 million new housing starts in the next forty years. If we start the period at the rate of about 1.3 million a year, we will have to be at somewhere around 2 million a year by the end of the period to meet the need.

And it is entirely possible that we will find ways and means of increasing the replacement rate above the pitifully small 400,000 a year that I have assumed in this example. If we are to get rid of the enormous quantities of sub-standard housing that still exist, we will have to step up replacement somehow.

In short, we have the prospect of building far more new houses in the next four decades than the total housing stock that now exists. And housing is only one category of building.

In schools, we are just barely keeping abreast of the increase in school-age population now; prospective increases insure tremendous future demand for new classrooms. We have only begun to lick our present traffic problems; highway construction will be expanded far beyond the present program as traffic grows. Stores, factories, utilities—almost anything you can name—will have to keep up with population growth and technological change.

Headaches there will be. Available land will be at a premium. Community facilities will be strained—and so will taxpayers' pocketbooks. Mass transportation will be even more of a problem than it is now. There will be a constant threat of inflation. And the cold war will probably continue.

But can you name any 40-year period in the history of a nation as dynamic as ours which didn't have its serious problems? As always, the problems are challenges. And we have a huge arsenal of weapons to use against them—more than ever before.

We have the weapons of physical science; the early beginnings of the atomic age, the electronic age, the space age, and most important of all, the age of autologics—of machines that help man to think. In the social sciences, we know far more about man and his problems. In particular, we know more about what makes our economy sick, and how to keep it well, than we have ever known before.

We are on the threshold of the most fantastic era of growth and change the world has ever seen. Being constructive, the construction industry will occupy a prime position: as we build figuratively for the future, we must also build literally.

How much must we build? That's easy—we have to build a second United States, and then some. We will have to double all the structures, all the facilities, that now exist. And we'll have to do it before the babies born in 1959 reach middle age.

We are embarked on the biggest construction project of all time.

CRISIS IN THE CITY

(Continued from page 19)

Railroad yards once stood; in Buffalo, in Akron, in many other cities, city streets are being converted to pedestrian malls; in Philadelphia, the new Penn Center—on a site previously occupied by the Pennsylvania Railroad yards—will include a transportation center with rail, airline and bus terminals, as well as a plaza and gardens for pedestrians, and numerous shops.

In example after example—wherever urban redevelopment in central city planning has become an aggressive, accomplished fact—the results measure up to expectation, the end gloriously justify the means. Tax revenues are up—substantially so. The flight of business and housing to the suburbs is being reversed. Business is flowing back into the downtown districts; suburban shoppers are attracted into downtown stores; middle and high income families are moving back into downtown areas. Construction work is stimulated.

New industry is being drawn into the city. New industrial jobs mean an increased labor force, with a consequent increase in payrolls. And much present industry, at the point of decision regarding new space or location, is deciding not to relocate out of the city—to remain downtown, instead, if at all possible.

And, because rundown buildings and slum-ridden areas are depressing to people who live or work or do business in them, the new buildings and the clean, modern atmosphere of these well-planned business cores stimulate individual enthusiasm and ambition and add to the efficient working of all companies located there.

Of course, there are those cynics who—discounting the efficacy of the revitalized downtown center—accept as inevitable the continued extension of today's drift toward "suburban-scatter" and predict, in good faith, that the urban areas of the future will in actuality be just *one* long, continuous series of different cities,

stretching for hundreds of miles.

"They visualize," says transportation research expert Wilfred Owen, in his recently published book, *Cities in the Motor Age*, "a series of cities, one after the other, like a string of fried eggs. In that case there will be many regional centers and many peripheral areas, but no clearly defined downtown areas with their suburbs."

Unlikely as this might sound, it conceivably could come to pass. It need not, however! Trends and statistics may indicate but certainly do not dictate the course of the future. The character of the city of the future—the importance and the role of its downtown, central business districts—will depend on what each city, individually, does to assure the result.

Public awakening grows that spread of downtown decay must be halted

In the minds of city officials, city planners, large numbers of business men—and this includes redevelopers, mortgage men, investors, etc.—doubt no longer exists: they are agreed that the steady deterioration of the American city's central business areas MUST be halted! They share the conviction that the economic core of the American city CAN be revitalized, CAN be reborn!

The flight to the suburbs, of business, industry and housing, must be reversed—and all-out urban renewal offers the best possible approach. Given the opportunity for sound investment and a good investment environment, private investment will be available; it will—and should—flood in!

Indeed, the redevelopment of central city real estate is the strongest trend developing today in America's real estate picture. It will continue to be so for the next 20 years, at least. If the mortgage banker assumes a role of leadership—NOW, he will be a major factor in, and part and parcel of the whole grandiose movement.

"This is a job," as MBA President Walter C. Nelson so aptly phrases it, "in which mortgage bankers and large institutional investors can play a big part. It isn't just a local job—it is one that faces everyone, and everyone must help to bring it about."

›› THE ARCHITECTURE OF A NEW DOWNTOWN: Site of Baltimore's planned Charles Center, as it is today, is shown above. It includes five buildings to be retained in the completed project, shown in the model below. A wedge-shaped area between the downtown financial district and main shopping district, it is a joint venture of the city's government and business communities.

During these days of conflicting trends and divergent influences affecting the mortgage business, if you have been wondering what are the prospects ahead, the best single investment you can make in the future of your own business is to be on hand for the MBA Annual Convention in New York September 21 to 24. It's the one and only national gathering of mortgage originators and investors, the one time during the year when you can be brought up to date on all the factors at work in mortgage lending. It's MBA's 46th and you are assured of a profitable experience. It's for members only and a good one for the ladies. The inside pages tell you what's in store for you.

The Road

COMING...

d to BETTER LIVING

...to MBA's Own Theater, at the Annual Convention in New York, the premiere of the motion picture about the Mortgage Banker

IT'S READY FOR SHOWING, and you will see it at the MBA Convention in New York, this first motion picture ever made about the mortgage industry and the mortgage banker and the vital and important places they occupy in the economy. The premiere is at the opening Convention session.

THE ROAD TO BETTER LIVING is a half-hour film about some events in the life of a mortgage banker in an average community, some problems that confronted him and how he solved them working with an investor he represents. It's a warm, human story, one with wide appeal, one anyone will understand, and one that will give the term mortgage banker a meaning and stature it has not had before. The story has strong and lasting dramatic appeal but through it is woven some basic essential facts about this business of mortgage banking, what it is and how it operates and, most important, its importance.

YOU'LL SEE IT FIRST IN NEW YORK, then over the coming months and years you'll be seeing it on television. Rental prints will be available to you at nominal cost for showing at clubs, organizations and all kinds of meetings where a good public relations assignment can be achieved for your industry.

THE ROAD TO BETTER LIVING is a project of MBA's Public Relations Committee and has been in the planning and execution process for more than two years, during which time it has been under the personal direction of Brown L. Whatley. Those who have seen the initial rushes are loud in their acclaim that it marks a major accomplishment in taking this complex business of mortgage lending out of the strait jacket of complicated terms. You can anticipate the premiere of The Road to Better Living as an experience to remember.

LYLE TALBOT, a star in motion pictures for years and now playing many leading roles and, more recently, prominent in many of television's top offerings, is the star of The Road to Better Living, playing the part of Jim Chandler, the mortgage banker. Also in the cast of top flight talent are Grandon Rhodes, Walter Reed, Nelson Leigh, Rand Brooks, Harry Antrim, Dick Bartell, Alan Reynolds, Michael Keith, Maggie Magennis, Audrey Swanson, Vic Ramos, Ken Bennett and George Pembroke—14 in all. You'll recognize many of them from roles you've seen them play before.

ART GILMORE, one of the best known announcers in TV and radio, does the narration in The Road. Currently he's the announcer-narrator on such shows as Red Skelton, Highway Patrol, MacKenzie's Raiders, Trackdown and others, and has prominent roles in scores of TV's biggest shows as well as roles in motion pictures.

Lyle Talbot
Stars in The Road

Art Gilmore
He tells the story

The Road was produced in Hollywood by the Jerry Fairbanks Organization. Script and planning was by Film Counsellors of New York. Serving with Mr. Whatley on his Film Sub-Committee were James W. Rouse, chairman, MBA Public Relations Committee; Carey Winston; Robert H. Pease; Robert H. Bolton; Stanley Earp; Bundy Colwell; Elmer H. Grootemaat; G. D. Brooks; C. Douglas Wilson; and Ralph E. Bruneau.

Among those you will hear at MBA's Convention in New York are these —

Gov. Rockefeller

Deane Davis

John De Laittre

Headlining the program will be the **Hon. Nelson Rockefeller,** Governor of New York, one of the most prominent figures on the national scene today. Governor Rockefeller will speak at the opening session. **Dean C. Davis** is president of National Life Insurance Company of Montpelier, Vermont. **John H. De Laittre** is president of the National Association of Mutual Savings Banks and president of the Farmers and Mechanics Savings Bank of Minneapolis.

Carl Mitnick

Perry Prentice

Norman Mason

Building, its prospects and outlook, will be the theme of the address which **Carl T. Mitnick,** president of the National Association of Home Builders, will give on Tuesday. **Perry I. Prentice** is publisher of House & Home and will speak on Wednesday. **Norman P. Mason,** administrator of Housing and Home Finance Agency, will address the convention on Thursday.

J. H. Zimmerman

Carey Winston

J. S. Baughman

P. N. Brownstein

Dale Thompson

Theodore Gold

Arthur R. Upgren

This has been an important year as far as operations of the government-sponsored agencies relating to housing and housing finance fields are concerned. Thus, at the Convention, the traditional session devoted to exploring problems concerned with these agencies will be of more than usual interest. At this session, along with the address of Mr. Mason, members will hear **Julian H. Zimmerman,** FHA Commissioner, **J. Stanley Baughman,** president of FNMA and **Philip N. Brownstein,** director of VA's Loan Guaranty Service. Also on the convention program will be an interesting address by **Dale M. Thompson,** president of the City Bond and Mortgage Company, Kansas City, Missouri, who will tell how to process a 220 loan. **Dr. Arthur R. Upgren,** Professor of Finance at Macalester College in St. Paul, will address the convention on Wednesday and one of the speakers at MBA's Farm Mortgage Clinic will be **Theodore S. Gold,** assistant to the Under Secretary in the Department of Agriculture. For variety, for top flight personalities in many fields, it's one of MBA's best.

What's ahead, what's coming up, what are the long-time and the near-term trends in world affairs, on the national scene and within our own field of endeavor? These are the things on which people assess the future—and these are the principal things for which national meetings are held. So it is with MBA's annual Convention, the only nation-wide forum where an accurate appraisal can be made of what's likely ahead within the mortgage industry.

At the MBA New York Convention, members will hear accurate projections of the prospects in the overall economy . . . and in our perplexing area of credit with the mounting cost of money and the dwindling supply of funds, they will hear authorities explain and interpret the basic trends. They will hear analyses of building prospects, the national housing legislation which will have been finalized by Convention-opening, about servicing, about new ideas and developments.

Your annual Convention, more than any one thing, is a business opportunity which enables you to participate in the one and only national reading of the mortgage barometer. What you learn are the things you take back to your own business as a guide for the future. The distinguished speakers who will address the Convention are men of recognized experience and authority who will help you in assessing today what you will be doing tomorrow.

A Valuable Experience Awaits You in New York

What's Happening to the Mortgage Business?

Few in mortgage banking would deny that right now there are more diverse trends affecting mortgage lending than has been true in almost a generation . . . such things as the increasingly intense competition, the rising cost of credit, the question of supply, the varying opinions concerning the economics of servicing, the changing role of government within our field . . . all these, and many many more, make this a period for reassessment. In New York you will be hearing more about what is happening—and is likely to happen—in mortgage lending than you have ever heard before.

Those Who Know Will Be There to Tell You

In no other place and on no other occasion will you have the opportunity to hear such a distinguished group of speakers, each one with a message pertinent for you and your business, as will be true at the New York Convention. This year MBA's top-flight program has been prepared with the objective of providing a wide variety of pertinent topics each handled by a recognized authority.

Many Special Features Will Be a Part of Convention

MBA seeks to serve every area of mortgage lending. Thus, in New York, various special features of interest primarily to certain areas of the industry will be a part of the four-days' sessions. The Farm Loan Committee will sponsor a Clinic where members will hear Theodore S. Gold, assistant to the Under Secretary of Agriculture, and Denzil C. Warden, supervisor of agricultural loans of The Connecticut Mutual Life Insurance Company, speak on phases of this lending area. YMAC—MBA's aggressive Young Men's Activities Committee—will sponsor a breakfast meeting where those attending the Convention (and anyone in the business will find this of great value) will hear Saul B. Klaman, director of research of the National Association of Mutual Savings Banks. He is the man who has delved into the operations of mortgage lending on a scientific basis more than any one else and who can tell you more of where the business has been since the war and where it is likely going than any other.

The Added Appeal of Meeting in New York

New York and the East are the investment capital of the country. That is where the bulk of the investment capital is and where the investors are. Thus, New York always provides that special appeal of combining a meeting with investor-visits—and a New York meeting, particularly the national Convention, always means maximum investor attendance.

Lighter Side Should Not and Won't Be Overlooked

There will be, as usual, more than two score items of social entertainment by individual groups within MBA. The convention social highlight will be the annual reopening of Club MBA with a program of entertainment that will not be topped in all of Manhattan. Tables will be reserved and tickets are $10 each which includes dinner.

It's the Year of Years For Ladies to Attend

Since New York provides more things to do and see, it's always the most popular Convention city for the ladies. In addition, MBA's program for them is completely appealing. They will be at Club MBA of course and they will also be at the big luncheon and fashion show arranged by Saks Fifth Avenue at the Biltmore. They will also be at the theater party to see New York's hit show, The Flower Drum Song. Their $15 registration fee includes tickets for these events.

Act Now If You Haven't Done These Things

First, get your hotel request to Mortgage Bankers Association Housing Bureau, N. Y. Convention and Visitors Bureau, 90 East 42nd street, New York 17 (Rooms for more than 2400 have already been reserved). Send your advance registration to the headquarters office in Chicago—$25 each for members and $15 each for the ladies. It's a members-only Convention, incidentally. And make reservations for the YMAC Breakfast September 22, tickets $4 and the Farm Loan Clinic and Luncheon at $5 each.

Voice of the Home Office

Keep the Line of Communication Constantly Open and Active

By **M. GERECKE**

United States Mortgage Officer, The Canada Life Assurance Company, Toronto

GOOD communications are vital in any successful business relationship. How good are communications between the mortgage correspondent and his investors? In reviewing our experience, we believe improvement in this important phase of the correspondent-investor relationship is possible and would, in the long run, be of mutual advantage.

As an investor, we expect our correspondents to have and maintain a fine reputation in their community, to have the ability to develop new business, to maintain efficient personnel and facilities to service loans, and to be of unquestionable integrity and financial responsibility; and beyond that we expect our correspondents to be our eyes and ears in their locality. We are active in the mortgage business in many cities and it is not possible for our home office personnel to be fully informed on local factors affecting the business in which we are engaged without the full cooperation of our mortgage correspondents. Supplying the necessary information requires a well organized line of communication.

There are four principal channels of communication: personal contacts, telephone, informal memorandums and formal reports. No one of these means is suitable to deal with every situation or problem that arises. On the other hand, one or a combination of several of these media is best suited to each particular circumstance.

We feel that person to person contacts are very important. We visit our correspondents regularly in their communities, attend meetings such as those sponsored by MBA and encourage our correspondents to come to the home office from time to time. All of these meetings provide excellent opportunities to exchange ideas and strengthen the ties between correspondent and investor. However, they are time-consuming and are obviously not a practical way to deal with all situations.

The telephone serves as an excellent agent where speed is essential but can result in misunderstandings where detail is concerned.

Informal memorandums are very useful and appropriate in communicating ideas and suggestions relating to operating procedures and items of general interest. The use of this simple medium, with the advantage of informality, could be considerably increased with good results. They also have the advantage of providing a permanent record.

Formal reports can be advantageous in presenting a general review of local conditions in the correspondent's territory and matters requiring policy decisions.

We believe the better informed we are, the better we can serve the correspondent, with consequent mutual advantage to both correspondent and investor. We are interested in all factors affecting the mortgage business at the local level and the correspondent's organization. These interests more specifically include, but are not limited to, the following factors in the individual community: The mortgage market, real estate market, legislation, neighborhood trends, industrial development, new service facilities such as shopping centers, transportation facilities, roads, population growth, employment and unemployment, etc. Prompt reports to the home office of the effects of disasters of nature such as hurricanes, tornadoes, floods and earthquakes on the Company's investments, suggestions toward effecting economies and improvement in operating practices, and last, but not least, being informed of important changes in the correspondent's organization affecting succession, personnel, territory, method of operation, representation and financial progress. While this sounds like an imposing undertaking, it is not a formidable task when items of interest are passed along from time to time as circumstances warrant.

We are convinced that any effort expended to improve communications is well worthwhile, as good communications do contribute in an important degree in creating the ideal correspondent-investor relationship which inevitably will result in tangible benefits for both the correspondent and the investor.

President's Page

THE FIGHT AGAINST INFLATION AND SPENDING IS BEING WON

LAST February at MBA's Midwestern Mortgage Conference in Chicago the main portion of my remarks dealt with my strong conviction that this nation was faced with one of the most serious challenges ever to confront it—the danger of disastrous inflation, the threat to our currency and the prospects for more and more wild spending. I was as forceful as I knew how to be in saying that what is ahead for the mortgage market was of minor consequence when compared to what is ahead in maintaining financial stability. President Eisenhower read those remarks on the news ticker and this was followed by a call from the White House expressing the President's unqualified approval and endorsement. Since then I have called on the President in the White House and in the intervening months a great many things have happened in this struggle against inflation, spending and legislative irresponsibility.

Walter C. Nelson

The President has conclusively demonstrated that he meant exactly what he said when he declared war against these threatening dangers—and so far he has won all the battles. To me it has been a wonderful and inspiring experience to see him stick so tenaciously to his principles, never wavering for an instant. It took courage to turn down the wheat bill, to come out against the new minimum wage legislation, to call for a halt of excessive public works spending, and to veto the housing bill. But he did not hesitate. Each one of these things would have added fuel to the inflationary fires and in the best interest of the country he has refused to go along. I say, Hurrah for the President! He deserves the nation's thanks. There will be a housing bill this year of some kind but whatever becomes law will not be a set of extravagant proposals such as was placed before the President—and in that connection it might be well to recall the super-extravagant bills which were being proposed in early January!

Right now the field of mortgage investment seems to be right in the middle of some of the fastest-moving trends we have ever seen in our financial and credit economy. Rates have moved up rapidly and probably will go higher. And as I observed last February, we still seem to want to do everything at the same time and everything we want to do takes money and there just isn't enough to go around. One development of recent months has made a particularly sharp impression on me. It is the present move to permit an interest rate higher than 4¼ per cent for government securities of more than five years maturity. To me there is a parallel of sorts in the situation which confronts the Treasury in its financing dilemma and that with which we have been confronted for years in rigidly controlled FHA and VA interest rates. Practically everyone — everyone outside congress that is — agrees that these controlled rates are wrong, are economically unjustified and have worked to the detriment of those whom these agencies are set up to serve. Yet, after all the arguments, after all the many and varied experiences in the ebb and flow of funds, we still do not have free interest rates that will move in an orderly manner along with every other single area of credit. I hope that the solution to the Treasury's problem may help to focus attention again to the FHA and VA rates and that this time the restrictions will be removed. It seems like a great deal to hope for in view of past experience but miracles do happen occasionally.

Walter C. Nelson

PRESIDENT

YMAC | *A department sponsored by the Association's Young Men's Activities Committee, George C. Dickerson, Jacksonville, Florida, Chairman.*

LAND LOANS—*a new field for the mortgage banker*

A generally accepted fact is that one of the prime problems in this continued expansion of residential America is the shortage of good land upon which to build. Whatever its magnitude, it's not likely to become less of a problem. Here the suggestion is made that it also offers an opportunity for mortgage bankers for some business they might not otherwise get.

ALMOST every mortgage banker has experienced increasing competition from local sources in recent years and is finding it more and more difficult to obtain conventional loans on good residential properties in amounts, on terms, and at rates that are acceptable to his investor. On the other hand, the investors, especially the insurance companies, are becoming more and more conscious of the desirability of conventional loans on both residential and commercial properties and are striving to obtain a greater percentage of these loans. The mortgage banker, consequently, is plagued on one hand by the increased aggressiveness of the local institutions and on the other by the increased demands of his investors.

Under these circumstances, the correspondent must seek out new ways to generate the loans that are required by his principals, and it is normal for him to turn to the speculative builder. If he provides the latter with construction financing, he is in a preferred position to obtain the final loans from the properties as they are completed and sold. The number of mortgage banking firms has increased so rapidly during the past 15 years that mortgage bankers are competing amongst themselves for the services of the builders, while in the past three or four years the number of builders has been substantially reduced, especially when you consider the dollar volume created by each builder. Under these circumstances, the mortgage banker finds that he must provide again further services to keep his builder-customers satisfied and to hold their accounts.

One of the great problems that confronts almost every builder is the problem of having land available to build on at the proper time and at prices that are not too high. Builders usually need all of their working capital to keep their construction program going and are reluctant to tie up large amounts of money in purchasing land for the future. Usually the purchase must be made far ahead of the time that the builder is ready to utilize it; and if the land is to be purchased at a reasonable price it involves tying up a substantial amount of money over a long period of time. This is directly opposed to the builder's needs, and although he would like to buy land cheaply, hold it over a period of years and then develop it, he is usually unable to do so and keep his construction program going. The mortgage banker, therefore, can provide the builder with a real service if he can help provide him the

By **SHEFFIELD PHELPS**

Vice President, Securities Mortgage Company, Seattle

land that he needs to build upon. In our area, there are two ways that this is usually accomplished.

The first way is where the mortgage correspondent firm is financially strong enough to purchase land and hold it in their own name, later developing it themselves and then selling it to their builder-customers at as reasonable prices as possible. This requires the utility of a lot of capital in the first place and, in the second place, of a lot of know-how and ability on the part of the mortgage banker, since he has to take on the problems of land development which are complex, require constant attention and involve substantial risk. If the mortgage banker has the capital and the staff available to provide this service, he will find that it is a very interesting operation and one that can be moderately profitable, both from the point of view of actual profit received from the holding of the land, but more especially, from the point of view of providing builders with lots that are ready to be built upon at prices that are attractive from the builders' point of view. In this manner, he has a service to sell and can hold his customers or obtain new accounts by offering this additional service. Most correspondents will find that they do not want to take this means of serving their builders and an alternate method is proposed here.

The second means of providing land in our area is to grant the builder a "land loan", which will actually help provide the builder with working capital for the purchase and development of a parcel of land. This is the more usual manner in which the mortgage banker helps the builder and the balance of this article describes the operation of the land loan as it is used in Seattle.

First, most organizations do not lend working capital to land speculators who are not builders. There are good reasons for this, as the builder, if he is the developer of the land, can also build the houses that will improve the land and sell them, thus automatically liquidating the land loan. The developer, on the other hand, is faced with the additional step of selling the lots to the builder, and then usually has to wait until the builder sells the completed properties before the purchase price of the lot is paid in full. This complicates the procedure and adds to the risk, with the result that "land lending" is usually conducted between a mortgage banker and an actual builder who is constructing houses in the area.

The amount of the loan provided depends upon the organization who grants the loan but, generally speaking, the maximum amount that is loaned is 50 per cent of the improved value of the property. In other words, if a piece of acreage could be platted into 50 lots with an average value of $3,000 per lot, the total liquidating value of the property when the utilities are completed would be $150,000 and the maximum loan that most companies would consider would be $75,000. Part of the money may be advanced to the builder in order to help him complete the purchase of the land or if he owns the land the loan will be used to install the utilities that are required by all of the local authorities in order to develop the lots to their satisfaction.

Such a land loan is usually made on a short-term basis, the term of which varies somewhat with the size of the acreage involved. On a small plot of land, say 10 acres, the land loan is usually made for a period of six to eight months. If the area involved is substantially larger or if it will turn into lots that are to be sold for higher than the average price level, the loan is usually made for a year. The interest rate charged by the mortgage banker usually depends upon the state of the local and national economy, the desirability of the project, and the strength of the builder who will be responsible for the repayment of the loan. In Seattle, we find that there is usually a commission charged for the granting of the loan and that interest at the rate

of something around 6 per cent is charged to the builder on the amounts as advanced.

The loan, of course, must be repaid from the proceeds of the sale of the lots, and, in some instances, the net proceeds from the sale of each lot is used to reduce the loan. In other instances, a pro rata share of the land loan is required by the lender as each construction loan is placed on a lot. In still other instances, a partial payment is made from the proceeds of the construction loan and the balance is paid when the final loan is closed in the purchaser's name. There are many variations of the manner in which the repayment is made, depending upon factors that entered into the deal at its inception.

There is no point in denying that lending upon land and the installation of utilities on it must be treated as a speculative venture and one that should not be entered into lightly. It can, however, be of substantial benefit to the mortgage banker since it will allow him and his builder-clients to plan further ahead than the builder would be able to by himself. It also provides the mortgage banker with a close knowledge of the problems of land development and makes him more sympathetic to some of the circumstances that confront a builder in the difficult and risky business of developing land and constructing new houses. Finally, the mortgage banker benefits from obtaining loans on new houses and having first opportunity at the conventional loans that are developed from the properties on which he makes the land loans. Most companies charge a penalty to the builder if the final loans are not received by the lender, and there is usually developed a close and good working relationship between the builder and the lender. I sincerely believe that this is a field that will have to be looked into by more mortgage bankers as time goes on, and it may be a service that will have to be provided by the mortgage banker in the long run if he is to compete with the local lenders and at the same time satisfy the requirements of his investors.

>> FHA VACANCIES: There were vacancies in 4 per cent of the rental units on which FHA mortgage insurance was in force. FHA's survey covered nearly 450,000 rental apartments. In addition, vacancies were surveyed in projects with title transferred or mortgages assigned to the FHA Commissioner. Some 20 per cent of the units in these projects were reported as vacant, bringing the rate for all completed projects insured by FHA to 5.4 per cent compared with 3.9 per cent a year ago.

The 4 per cent rate for projects with mortgage insurance in force was higher than the rates for the preceding three years.

YMAC

MORE PROFITS THROUGH RESEARCH *Is a Sure Bet*

Research in the mortgage industry is something we could use a good deal more of—no one denies that few areas of the economy operate on fewer proved facts than our own. This is about some very practical research, the kind you can do and expect it to pay off in profits.

IT IS perhaps fitting that research in real estate can be a young man's job, because research in every field is the key to the future—and we are the future. That inexorable fact can remain as solace when we chafe under the seeming unwillingness of our seniors to recognize our ability and maturity. Research can offer a means for achieving greater recognition, for if you can tell the boss "1600 houses this year" and have it prove out a few times, he will gain more respect for you and your crystal ball.

We do need more research in real estate, if only because we are such a giant industry. One of the basic human needs is for shelter, and we exist to provide for that need. The residential segment especially needs better information because it is comprised of so many firms and individuals in each local market who may not pull together to build the number and type of houses needed. Simply making the results of research available can give them a background against which to make better decisions. And by acting in their own enlightened self interest they normally will operate for the best interests of the community as well.

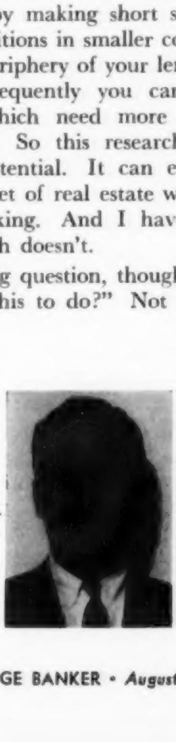
Investors like research, too. This journal frequently contains hints in its articles that those for whom you correspond want to be kept up to date on current trends in the building industry. They want to know about the general levels of business, too. And they want unvarnished facts; not a perpetually optimistic report when your delinquency rate climbs up and up. Any investor will be quickly impressed, and more willing to entrust you with the placement of his funds, if you provide him with a continuing good insight into your lending area.

Research, though, will be of most benefit to your own organization. You need to know what the market holds in your area for the next few months or a year to plan for personnel, for borrowing, for allocation of available funds, and for many other reasons. Most probably the local market will not be closely enough in line with national performance for overall predictions to answer local questions. Then, too, you will be more confident of answers you have developed for yourself. Therefore, you must plumb the local situation. By studying your own scene you can estimate needed dwelling units by price, type and location. Everybody thinks he knows, but how far ahead you will be if your estimate can be backed up with facts. In construction loans you can assist builders in planning, and tighten the reins only when really needed. Further, if a part of your organization builds they can have an insight into the needs and desires of the market. This process can be carried a step further by making short studies into the conditions in smaller communities in the periphery of your lending area. Quite frequently you can turn up towns which need more money or building. So this research has real profit potential. It can extend into every facet of real estate which needs clearthinking. And I haven't found one which doesn't.

The big question, though, is, "how hard is this to do?" Not very. You

By **G. B. LONG, JR.**

Director, Real Estate Research Department, Schumacher Mortgage Company, Inc., Memphis



most likely won't want to set up a full research organization, and you don't have to. The suggestions which follow, with a little background preparation and few hours time a month, will allow you to gain significant insights into the local housing market. Admittedly, the results won't produce a complete market analysis, but from this beginning you may proceed to a fuller development if your needs and inclinations dictate. And each firm will follow a different path even as each has its own specialties.

The theory behind our analysis is very simple—and being simple reminds us that it cannot do more than it is intended to do. It will provide a broad insight into the probable requirements for new residential housing in your area within a relatively short period. It should not be assumed to be an infallible indicator of what *will* be built during the period of study. We begin by assuming that past rates of building will continue into the future until the pattern is changed by certain measurable factors. We are saying that over the past years the volume of residential construction has been roughly in balance to provide the housing needs of your community. Communities, as do economies, have a great deal of momentum. This momentum will serve to continue the present rates of building until outside factors act to stimulate or deter construction. The past rates of building are quite easy to determine, and therefore our main problem is to carefully select and properly weigh the factors which will, with certainty, produce the ups and downs of the building cycle.

The first step is to determine the amount of construction which has taken place in your housing area over the past several years. Let me add here that the housing area most frequently does not coincide with the city limits of your community. The housing area will extend beyond to include all those who live and work in your metropolitan area. Go to your local building inspector or building commissioner and request him to give you back data on building permits, or preferably if available, information about the number of building units started and completed, as well as running totals on those units under construction within given periods, generally one year. Building permit data alone in most areas provides an accurate gauge of the actual construction done since 95 per cent or more of most building permits are ultimately used. If possible, analyze building permits with regard to type of dwelling unit, location and price range for years past. Preparation of this data will not prove to be as difficult as might be expected.

Through scientific research you have a sure basis for decisions

You should set up continuing records to be posted monthly which will show the same building permit information discussed in the above paragraph. By adding to this information current data on the number of starts, completions and units under construction, you will have an accurate picture of what is being built in your community.

We have now determined what has been built in the past, and what is being constructed currently. According to our basic theory this must be modified by current factors to determine what will take place in the months hence. There are several useful tools in determining the reaction of the market to current construction levels. First and most important is an accurate inventory of unsold, completed new housing, or over-hang as it is called in some areas. Such a study is now carried on in many areas. It will reveal to you the number of houses which have been completed, but are yet unsold, with regard to their location, the type of dwelling unit and the approximate selling price. If this is accurately done and properly interpreted you will have a keen insight into how the market is reacting to what is presently being built.

But this does not tell the whole story. Many cities periodically conduct a vacancy survey of the housing inventory in their area. A vacancy survey will supplement the unsold inventory by showing with regard to occupancy ratio, location, price, and type of dwelling unit how the market is reacting overall. This is a valuable adjunct to the unsold inventory for it considers not only new houses, but used ones, and dwelling units for rent as well as for sale. It provides a picture into the current market strength of all dwelling units.

If these two studies are beyond your scope at the present time, or to supplement them, it is recommended that you check with your local utility company on a monthly basis to determine the number of connected but unused utility meters. The variations in this figure over a period of time will give an indication of the number of vacant dwelling units since there is a relatively close correlation between vacant houses and vacant utility meters. However, it would be dangerous to consider the number of unused utility meters as the absolute number of residential vacancies.

To gain an insight into the activity of the overall real estate market it is recommended that you maintain on a monthly basis data showing the number and dollar volume of real estate transfers and the number and dollar value volume of mortgages or trust fees filed. These figures will be available from city or county authorities.

Many factors must be considered in mortgage lending research today

There are three other factors which have a marked effect on the volume of building, and which are so widely known that only brief mention of them will be made here. The trend of building costs can have a major effect upon the volume of construction. You may check this factor easily by contacting building materials suppliers periodically and inquiring as to the changes in cost of 20 or so of the major construction materials.

As we all know the conditions in money market and government action drastically affects the availability of mortgage money. The amount of home building is highly dependent upon the financing available and the Government's attitude toward residential construction. These two factors are of vital importance, but they receive such wide discussion from other sources that no special efforts should be necessary to apprise yourself of them.

Before concluding your study you should be factually aware of the important trends in local business conditions. Our knowledge of the local and national business scene is important since the sales of houses are highly sensitive to changes not only in the economic climate but in people's psychological reactions. You will be largely concerned with changes in income which people receive. This may be indicated by the trend of local wage scales. Such information may be obtained from your Chamber of Commerce, the Bureau of Labor Statistics in Washington, or if your community is small, by periodically contacting a few of the major employers.

Employment or unemployment figures are available from State employment offices, which maintain branches in most communities of any size. You should be aware of which industries are increasing or decreasing their employment and at what rate.

The best single overall measure of business activity is provided by the total of bank debits in your community. These may be obtained from your local clearing house association or the Federal Reserve Bank in your area.

» BIG SPENDERS OF 1959: While every effort is being made to control spending at the National level, state governments are off on a real spending spree.

Explaining their search for new sources of revenue and recent tax increases, state governments taken together ran practically \$2 billion "in the red" in the 1958 fiscal year as the rise in expenditures outstripped the increase in revenues from all sources by a wide margin. The trend is being accelerated in 1959.

Total expenditures in the 1958 fiscal period rose \$3.9 billion to an aggregate of \$28.1 billion.

When, on Sunday afternoon, June 21, students in Courses I and II of the MBA School of Mortgage Banking gathered on the downtown Chicago campus of Northwestern University, another banner year in this Association's educational program was successfully launched. A week later Course III students arrived.

The three class groups—125 in Course I, 86 in Course II and 121 in Course III—provided, together, a record high enrollment of 324. Course I is pictured above. Drawing students from 27 states, the District of Columbia and Puerto Rico, the group included representatives of 102 firms in 76 cities.

Course II students, above, came from 48 cities in 24 states, the District of Columbia and Puerto Rico. They represented 73 member firms. The 121 students comprising Course III, below, became—when their week's class work and examinations were completed—the School's fourth, and largest, class to graduate.

Representing 99 companies in 72 cities, and coming from 26 states, the District of Columbia and Puerto Rico, the 1959 graduating class brought to 401 the total of mortgage industry personnel to progress through the MBA School's three-year curriculum and to be awarded certificates of completion.

Another Year, Another Class Graduates . . .

SCHOOL OF MORTGAGE BANKING

With this year's 121 graduates swelling to 401 the total of mortgage personnel who have undertaken and completed its required three-year curriculum, the MBA School of Mortgage Banking continues to surge ahead, setting new records in the fulfilling of its lofty, self-set goal—to provide within the industry a strata of intelligence, which in turn builds a sound foundation for the future when the group now "in school" moves up to the level of executive leadership. From this School—the only complete educational program dealing specifically and comprehensively with all facets of the multiple and variable operations which make-up mortgage lending and mortgage investing—will come, *must* come, the future leaders of the industry.

Great though the measure of accomplishment has been—in its 12-year period of existence — the MBA educational program looks ahead, confidently, to even greater achievement. All signs point in that direction.

Each year brings with it increased enrollment. Each year brings with it a renewed and unflagging enthusiasm on the part of the more than 60 leading industry executives and educators who contribute their experience and knowledge by serving as faculty members. Each year brings with it a more mature approach on the part of the student body.

This year, particularly, the sessions at Northwestern University were characterized by an enthusiasm and depth of response—a certain rapport between students and faculty — which never before had been quite so keenly in evidence. This was true not only of Course III, of those students about to complete the curriculum, but it held true as well for Courses I and II. A distinct singleness of purpose—almost, it might be said, a kind of dedicated unity—was felt, flowing through and underlying all of the multiple phases of participation and group endeavor.

Graduation ceremonies for the class of 1959 were held, this year, on Friday evening, July 3, at the Drake Hotel, and were preceded by a reception and dinner.

Speaking on "The Intellectual Challenge of Business Today," Dr. Edward M. Barnet, director of the Northwestern Institute for Management—in his commencement address —told the graduates that, today, there is an increasing need for executives to stretch the perspective in which they view the importance of their work. "A great society," he emphasized, "is a society in which its men of business think greatly of their functions." In stressing the quality of perception, he emphasized, too, the ability to ask questions which rise above detail and bring ideas into alignment.

Certificates of completion were presented by MBA President Walter C. Nelson. Gino Lucchesi, Bank of America NT & SA, San Jose, California, delivered the student response on behalf of the graduating class.

›› GRADUATION VIEWS: At right, commencement speaker Dr. Edward M. Barnet, director, Institute for Management, Northwestern University, delivers his address. Among his interested and amused listeners are John A. Gilliland, MBA educational committee chairman; and MBA President Walter C. Nelson. In photos below (left) President Nelson presents Thomas J. Hartigan, New York Life Insurance Company, Cleveland, with his certificate of completion; and (right) two happy graduates, John C. Satterberg, Walla Walla, Wash., and Frederic R. Swauger, Spokane, both with Sherwood & Roberts, Inc., receive congratulatory smiles from their wives who journeyed to Chicago for the commencement exercises and reception-dinner which preceded them.

Arriving students James L. McKnight, T. J. Bettes Co., Fort Worth; James W. Snyder, Industrial Savings Bank of Ft. Lauderdale, Florida; Robert J. Thompson, T. J. Bettes Co., Dallas; are welcomed to Abbott Hall by Charles R. Finnell (at left), Walker & Dunlop, Inc., Washington, D. C. Next, a jovial quintet: Nicholas C. Ciancio, Jr. and (center) Alex E. Schneiderman, Lawrence A. Epter & Associates, Inc., New York; Owen T. Carroll and Wm. Murray White (far right), Weaver Bros. Inc. of Maryland, Baltimore; Edward A. Brockmeyer, S. L. Hammerman Organization, Inc., Baltimore. Below left, MBA Vice President B. B. Bass (center) American Mortgage & Investment Co., Oklahoma City; with Gerald F. Garren, Metropolitan Life Insurance Co., Chicago;

Valentine W. Smith, National Life & Accident Insurance Co., Nashville; A. N. Abernathy, same firm, Dallas; Hunter Younge, American Mortgage & Investment Co., Oklahoma City. In photo at right, that's Henry Lloyd Fulton, Central National Bank of Cleveland, Ohio; David K. Lewis, Ostendorf-Morris Co., Cleveland; George W. Law, Stockton, Whatley, Davin & Co., Jacksonville, Fla.; chatting with Dr. Harold W. Togerson, Northwestern University. Then, below left, Marion M. Megathlin, Stockton, Whatley, Davin & Co., Miami, and Laurens R. Massey, Percy Galbreath & Sons, Inc., Memphis, meet Virginia V. Ackerman, Walker & Dunlop, Inc., Washington, D. C., and Jean Canard, Ryan Mortgage Co., Houston. Next, that's Richard G. Oller (far

right) MBA, with Paul J. Goben, The State Life Insurance Co., Indianapolis; L. Alan Zambone, W. A. Clarke Mortgage Co., Erie, Pa.; Claude E. Pope, Cameron-Brown Co., Asheville, N. C.; Moultrie B. Watts, State Mortgage Co., Inc., Raleigh, N. C.; Richard S. Eisenman, W. A. Clarke Mortgage Co., Williamsport, Pa. Below, Edward F. O'Connor, Percy Galbreath & Sons, Inc., Memphis; W. Wise S. Jones, Guaranty Loan & Real Estate Co., West Memphis, Ark.; John J. Sheridan, L. J. Sheridan & Co., Chicago; E. Don Harris, Allied Investment Co., Memphis; J. Hunter Hardesty, The First Akron Corp., Akron; Reese G. Jones, The Summit Mortgage Co., Akron. Finally, Clarence S. Kocher, Old National Bank in Evansville, Ind.; Roger J. Silky, First Trust & Deposit Co., Syracuse; J. W. Jones, Jr., Jones-West Mortgage Co., Dallas; Dr. Homer V. Cherrington, Ohio U.

In pre-dinner conversation, Donald S. McGregor, Jr., T. J. Bettes Co., Beaumont; Guy T. O. Hollyday, The Title Guarantee Company, Baltimore; MBA director of education, Lewis O. Kerwood; James G. Wasson, MBA; and Dr. Richard Donham, dean of Northwestern University's School of Commerce. Next, an all-Atlanta group: Glenda B. Cash, Ann Highsmith and Louise B. Jackson, all with The Commercial Trust Co. and Thomas R. Bazzel, Georgia Securities Investment Corporation. Quintet, below left, consists of Howard E. Young, First Mortgage Co. of Houston, Inc.; C. Jack Schleuning, The Richard Gill Co., San Antonio; George H. Chase and Jere S. Meek, both with Palomar Mortgage Co., San Diego; Raymond C. Ralph, T. J. Bettes Co.

of California, Los Angeles. Next, a foursome, with Paul J. Laskoski, W. A. Clarke Mortgage Co., Philadelphia; Howard M. Russell, Louisiana Fire Insurance Company, Shreveport; H. Robert Nissley, W. A. Clarke Mortgage Co., Harrisburg, Pa.; James V. Rice, Thomas & Hill, Inc., Cincinnati. Below, left photo, a group who—as a warm evening grew warmer—sensibly enough shed their coats: Carl E. Bolin, The Connecticut Bank and Trust Co., Hartford; James A. Drysdale, The Binghamton Savings Bank, Binghamton, N. Y.; Alan E. Marshall, The Lomas & Nettleton Company, Hartford; Thomas R. Blanton, The Elbel Investment Company, Inc., Coffeyville, Kan.; Donald A. Wood, B. D. Cole, Inc., West Palm Beach, Fla.; Edward E. Lind, National Life

Insurance Co., Montpelier, Vt.; Harry T. Gorman Columbian Mutual Life Insurance Co., Binghamton, N. Y. And, to their right, John H. Melzer, The First National Bank of Chicago, Ill.; Donald R. Olson, Kassler & Co., Denver; Everett C. Spelman, Jr., Western Securities Co., Denver; Robert R. Root, Western Securities Co., Omaha. Below, at left, a quintet composed of William H. Davis, Louisiana Fire Insurance Co., Shreveport; James E. McGehee, Jr., James E. McGehee & Company, Inc., Memphis; Wilbur G. Winter, Almour Securities, Inc., Cleveland; James R. Leithauser, City Bank, Detroit; Richard D. Hitz, First Trust Company of Lincoln, Nebraska. And, finally, a group of Course I and II students poses for picture while being serenaded at their Sunday evening "Get-Acquainted Dinner."

>> Logically enough, class lectures comprise the nucleus of each of the three one-week course sessions. However, the curricula do include in addition: informal group discussions on current developments in the industry, student study groups, review sessions on the home study programs, scheduled field trips, various student elective sessions, the simulated operation of an actual loan committee in action, a full-afternoon symposium—in essence, a survey of the whole field of mortgage financing, written examinations and much more. On this page is a representative pictorial sampling of some of these activities.

A group of Course II students, above, pause in their tour of Chicago's Lake Meadows housing development—as part of an afternoon field trip to local area shopping centers and housing projects. As commentator for the afternoon, that's William N. Melzer, Great Lakes Mortgage Corporation, Chicago, who is himself a 1956 graduate of the MBA School.

At the Lake Meadows shopping center, students listen to Robert H. Pease, Draper and Kramer, Inc., Chicago. Mr. Pease served as co-commentator on the field trip, and had lectured earlier that day on "Industrial Financing." Other shopping centers visited by the Course II group included the Evergreen Plaza and Scottsdale centers.

Group above is participating in a Course III student study session. That's Howard E. Young (upper left) of Houston, serving as the appointed student leader. The informality of these full-afternoon sessions permits uninhibited discussion and candid analysis of mortgage industry operations and problems. Below, a written examination period—monitored by Lew Kerwood and Dr. Torgerson.

A pre-exam get-together (above) for study and review: Willard Gourley, Jr., Greensboro, N. C., in top bunk; Russell P. Schauer, Charlotte, N. C.; in lower bunk; with Gilbert W. Becker, Racine, Wisc.; William C. Mitchum, Nashville; Donald W. MacLeod, Washington, D. C.; John G. Greer, Nashville. Below, dinner at the South Shore Country Club, for Course II group following their field trip.

SCHOOL OF MORTGAGE BANKING

Class of 1959

James C. Adams, Continental Assurance Company, Chicago

Pierre H. Belanger, James R. Johnson & Company, Detroit

Thomas R. Blanton, The Elbel Investment Company, Inc., Coffeyville, Kans.

L. A. Boschen, First Mortgage Corporation, Richmond, Va.

Carl E. Bolin, The Connecticut Bank and Trust Company, Hartford, Conn.

Carl A. Brown, Iowa Securities Company, Waterloo, Iowa

Garrett Butler, First Continental Mortgage Co., Houston

Milan G. Byelick, The County Trust Company, Tarrytown, N. Y.

Boyd A. Carnaby, United Benefit Life Insurance Company, Omaha

Joseph L. Carroll, Jr., Carroll Mortgage Company, Seattle

H. Houston Carter, The Kansas City Mortgage Company, Kansas City, Mo.

Kenneth R. Cederquist, Bank of America, NT & SA, El Monte, Calif.

George H. Chase, Palomar Mortgage Company, San Diego

E. Boyer Chrisman, Franklin Capital Corporation, Newark

Edward N. Claughton, Jr., Dade-Commonwealth Mortgage Company, Miami

Bernard Dell Cooper, Weaver Bros., Inc., Washington, D. C.

Robert H. Costello, Pullman Trust & Savings Bank, Chicago

Robert E. Culpepper, Metropolitan Life Insurance Company, New York

John B. Dale, Mortgage Syndicate, Inc., Clayton, Mo.

William Edward Daniels, T. J. Bettes Company, Houston

Richard E. Danley, A. B. Robbs Trust Company, Phoenix

William H. Davis, Louisiana Fire Insurance Company, Shreveport

H. S. DeWitt, T. J. Bettes Company, Houston

James A. Drysdale, The Binghamton Savings Bank, Binghamton, N. Y.

Richard S. Eisenman, W. A. Clarke Mortgage Co., Williamsport, Pa.

Henry K. Elder, Jr., George Elkins Company, Beverly Hills

Arend Folkens, General Mortgage Company, Bakersfield

Fred L. Friedrichsen, The Omaha National Bank, Omaha

William E. Gilthorpe, Jr., Mid-Continent Investment Corporation, New Orleans

Paul J. Goben, The State Life Insurance Company, Indianapolis

Harry T. Gorman, Columbian Mutual Life Insurance Company, Binghamton, N. Y.

James E. Gorman, The Chase Manhattan Bank, New York

James A. Graham, Frederick W. Berens, Inc., Washington, D. C.

James R. Green, Coast Mortgage & Investment Company, Seattle

Lawrence Eugene Hall, The Onondaga County Savings Bank, Syracuse, N. Y.

James E. Hampton, Allied Building Credits, Inc., Phoenix

Thomas J. Hartigan, New York Life Insurance Company, Cleveland

Norman A. Heavener, Metropolitan Mortgage Corporation, Los Angeles

David E. Hiatt, H. Duff Vilm Mortgage Company, Inc., Indianapolis

Richard D. Hitz, First Trust Company of Lincoln, Nebraska, Lincoln

John H. Hobart, First Mortgage Corporation, Newport News, Va.

W. Wylie Hopkins, Jr., Monumental Life Insurance Company, Baltimore

George C. Hudspeth, Maginn-Martin-Salisbury, Inc., Manchester, Mo.

Marie Hulderson, Central National Bank and Trust Company, Des Moines

Gerard Ihlefeld, James T. Barnes & Company, San Juan, Puerto Rico

E. F. Janak, Texas State Mortgage & Investment Co., Houston

J. W. Jones, Jr., Jones-West Mortgage Company, Dallas

George Keim, The Guardian Life Insurance Company of America, New York

Elliott J. King, The Bowery Savings Bank, New York

John O. Kirkland, T. J. Bettes Company, Tulsa

Clarence S. Kocher, Old National Bank in Evansville, Evansville, Ind.

Roland H. Kratzer, Jr., Amos G. Hewitt Mortgage Company, New Haven, Conn.

Charles W. Laraway, The Bank of California, N. A., Burlingame, Calif.

Solly Laub, Bank of America, NT & SA, Beverly Hills

Ralph E. Lautmann, Union Bank, Whittier, Calif.

James R. Leithauser, City Bank, Detroit

Edward E. Lind, National Life Insurance Company, Montpelier, Vt.

John S. Lubbers, Bank of America, NT & SA, Pleasant Hill, Calif.

Gino Lucchesi, Bank of America, NT & SA, San Jose, Calif.

Ewen W. Macdonald, Beneficial Standard Life Insurance Company, Los Angeles

Alan E. Marshall, The Lomas & Nettleton Company, Hartford, Conn.

James E. McGehee, Jr., James E. McGehee & Company, Inc., Memphis

Donald McGregor, Jr., T. J. Bettes Company, Beaumont

D. Richard Mead, Jr., D. R. Mead & Company, Miami Beach

Jere Shannon Meek, Palomar Mortgage Company, San Diego

Larry C. Melton, First Mortgage Corporation, Richmond, Va.

George E. Miller, Jr., Palm Beach Mortgage Company, West Palm Beach, Fla.

Alexander David Milliken, The Valley National Bank of Phoenix, Phoenix

Edgar L. Mock, J. Halperin & Company, Inc., Jamaica, N. Y.

William N. Morris, Sr., T. J. Bettes Company of California, Los Angeles

Robert J. Murphy, Mortgage Bankers Association of America, Chicago

Jack W. Newton, C. Douglas Wilson & Co., Spartanburg, S. C.

Oddie T. Olsen, The Chase Manhattan Bank, New York

Arthur R. Orr, The Marble Company, Santa Ana, Calif.

Nathaniel J. Orr, Anderson & Carr, Inc., West Palm Beach, Fla.

J. Marshall Parker, The First National Bank of Memphis, Memphis

Walter W. Peterson, The Ohio Citizens Trust Company, Toledo

Howard E. Phillips, James W. Rouse & Company, Incorporated, Baltimore

Vernon J. Ponder, Sr., Miller Mortgage Company, Inc., New Orleans

Claude E. Pope, Cameron-Brown Company, Asheville, N. C.

James L. Purser, Cameron-Brown Company, Raleigh, N. C.

Celina Rabal, Security National Bank of Huntington, Huntington, N. Y.

Donald Dean Rachuy, Sonoma Mortgage Corporation, Santa Rosa, Calif.

R. C. Ralph, T. J. Bettes Company of California, Los Angeles

Otis M. Ramstad, Tyee Mortgage Company, Everett, Washington

Richard A. Rauch, Frenzel, Rauch & Co., Inc., Indianapolis

George L. Rex, Southern Arizona Bank and Trust Company, Tucson

Donald V. Rice, Allied Building Credits, Inc., Phoenix

Robert G. Robson, McElvain Mortgage Company, Chicago

Eugene C. Samuelson, Equitable Life Insurance Company of Iowa, Des Moines

John C. Satterberg, Sherwood & Roberts, Inc., Walla Walla

Elsie G. Sautner, Teachers Insurance and Annuity Association of America, New York

Leslie Arnold Schafer, Weaver Bros., Inc., Washington, D. C.

Lavern P. Schafer, East Bay Mortgage Service, Inc., Oakland

C. Jack Schleuning, The Richard Gill Company, San Antonio

Roger J. Silky, First Trust & Deposit Company, Syracuse, N. Y.

George R. Simmons, Jr., The Philadelphia National Bank, Philadelphia

Dale A. Sims, Western American Mortgage Co., Phoenix

Shelby C. Spears, Stockton, Whatley, Davin & Company, Orlando, Fla.

Sefton Stallard, Jersey Mortgage Company, Elizabeth, N. J.

George N. Stark, First National Bank of Ontario, Ontario, Calif.

Earl C. Stephenson, Jr., Edwards-North-cutt-Locke, Inc., Fort Worth

Edgar A. Stoudt, Metropolitan Life Insurance Company, Philadelphia

Edward J. Sullivan, Bank of America, NT & SA, Cambrian Park, Calif.

William B. Surphlis, Maginn-Martin-Salisbury, Inc., Clayton, Mo.

Frederic R. Swauger, Sherwood & Roberts, Inc., Spokane

John E. Sylvester, Jr., The Colonial Life Insurance Company of America, East Orange, N. J.

John H. Tipton, Jr., The National Life and Accident Insurance Company, Nashville

Zane G. Tucker, The Home Mortgage Investment Company, Wichita

C. M. Versteeg, Allied Building Credits, Inc., Seattle

Charles E. Walker, The Wichita Mortgage Company, Wichita

James W. Walker, Stockton, Whatley, Davin & Company, Pensacola

James G. Wasson, Mortgage Bankers Association of America, Chicago

Moultrie B. Watts, State Mortgage Company, Inc., Raleigh, N. C.

John Krantz White, The Baltimore Life Insurance Company, Baltimore

Francis E. Williams, Jr., Murphey, Taylor & Ellis, Inc., Macon, Ga.

Kenneth R. Williams, Coast Mortgage & Investment Company, Seattle

Wilbur G. Winter, Almour Securities, Inc., Cleveland

Donald Alfred Wood, B. D. Cole, Inc., West Palm Beach, Fla.

Howard Ennis Young, First Mortgage Company of Houston, Inc., Houston

L. Alan Zambone, W. A. Clarke Mortgage Co., Erie, Pa.

FARM LOANS

A department sponsored by the Farm Loan Committee of the Mortgage Bankers Association of America

The Correspondent System Has Worked Best in Farm Loans Too

Even though a great many institutional investors active in the farm loan field do operate through branches, the evidence seem to indicate clearly that the best job has been done through correspondents. And, suggests Mr. Bartlett, if every expense is taken into account, the correspondent certainly can claim the best performance. There are investor opportunities in the farm mortgage field today which investors will do well to look into carefully.

By **ALBERT L. BARTLETT, JR.**

Member, MBA Farm Loan Committee
Vice President, Bartlett Mortgage Company, St. Joseph, Mo.

IN THE production and servicing of farm loans, as with city loans, institutional lenders either utilize the correspondent system or the branch office. The latter system is employed only by a few of the large companies—a large majority of all lenders favor the correspondent.

A few of the larger institutions which ordinarily invest considerable funds in FHA, VA and conventional city loans have apparently felt that the branch office was the best method for meeting their requirements for city loans, and that by producing a very large volume of business, the cost of maintaining such an office would be reasonable enough to permit a satisfactory net return.

However, when a branch office system is utilized for farm loans exclusively, the net return will present a different picture. Due to the comparatively small volume of farm loan business available to any one office, and considering the necessary expenses, such as a manager, secretaries, automobiles, office overhead, etc., it is my opinion that the costs are too high to warrant such an office. In addition, some branch offices have paid excessive finder's fees to local agents. If a careful accounting were kept of all expenses attributable to a farm loan branch office, I am confident that the net return would prove unsatisfactory—and at least the insurance salesmen of that particular Company would frown on an operation that adversely affected their dividend record. As a matter of fact, correspondents who process farm loans for institutional lenders could not make both ends meet on farm loan business alone; and their operation must certainly include at least a city loan business, and possibly a real estate and insurance business as well.

Institutional lenders are becoming larger each year and as the scramble for satisfactory investments increases, it may be that sooner or later some of the lenders who have never dealt in farm loans will give consideration to that field. They should keep in mind that farm loan interest rates are not fixed by the Government, that farming units are increasing in size resulting in larger loans, and that with interest and principal payments made semi-annually and annually, the cost of servicing is less. At the present time, farm loan rates are up and should be attractive to any investor.

Assuming, from an economic standpoint, that the branch office for farm loans exclusively is not feasible for the average institutional lender, then the correspondent system is the logical answer. In utilizing this system, the local correspondent assumes all expenses for a one-half per cent servicing fee, so that the lender will know exactly what the net return will be on their farm loan investments instead of being subjected to the uncertainties resulting from a branch office operation. Having selected areas in which they would like to consider farm loans, the lender could contact their present city loan correspondents in those areas and ascertain if any of them were producing farm loans. If not, they could suggest that that particular correspondent extend their operation to include farm loans, which could easily be done by employing a man qualified to appraise farm properties. This same man could also be

trained to appraise and produce city loans as well. As a matter of fact, in our office the field men are qualified to handle either type of loan.

Speaking for the correspondent system, the manager of the farm loan department of one of the large life insurance companies, said recently:

"When we decided to enter the farm loan business, we followed a plan that would permit us to grow into the mortgage business slowly and as economically as possible, realizing it would take several years to build a portfolio of a size that would be profitable. The decision to operate with a limited staff and grow into the business made the servicing correspondent type of organization the most desirable method to follow; and our experience has confirmed that it is a sound method of operating for our Company. We are convinced that by making use of local people in the development and servicing of our farm mortgage portfolio, we are able to give prompt, intelligent and understanding service to all applicants on a basis that insures a safe investment at minimum cost.

"We do have a few rules to follow, which we feel are important, if a successful relationship is to be established with our correspondents:

"A correspondent should be well and favorably known as a source of farm or ranch loans in the area.

"A correspondent with a large staff should have one or more men with an agricultural background to supervise farm mortgage activities.

"A correspondent who will make an inspection of the security, make a careful investigation of the applicant's credit standing, and recommend only loans which are, in his opinion, within the ability of the applicant, and the productive capacity of the farm to repay.

"A correspondent who maintains a businesslike office, with adequate personnel to render convenient and prompt service, both to applicants and borrowers on loans serviced."

The manager of the farm loan department of another insurance company brought out in one of his talks that there are many advantages in using the services of experienced loan correspondents. He said he believed the correspondent system to be a flexible and efficient method of operation. He also called attention to the fact that by the use of the correspondent system, the required personnel of the investor is reduced by the following factors:

1. Legal work is minimized since most of the work is handled by attorneys hired by, or on a standby basis with the correspondent.
2. Less of the office appraiser's time is required, by grouping inspections.
3. The correspondent closes the loan, requiring considerable time and knowledge of this procedure.
4. Collection of payments due and contacting or counselling the borrower on delayed payments, extensions, or modifications are handled by the correspondent.
5. Mineral (or oil and gas lease) activity, partial releases, or a modification requires the preparation of many legal instruments to be prepared or obtained by the correspondent in approved form.
6. The correspondent furnishes tax reports and contacts or counsels the borrower on unpaid taxes.
7. He obtains required hazard insurance protection and arranges for the insurance premium.
8. Satisfactory settlement of any insurance loss to restore damaged buildings and inspection when necessary are taken care of by the correspondent.
9. If it becomes necessary to file foreclosure, or take legal action, the preliminary steps are usually handled by the correspondent. Often their counselling the borrower or assisting him in selling the property or some other solution permits him to retain his equity, is a great time saver, and is a good service to both lender and borrower.

Should any institutional lender who is a member of the Mortgage Bankers Association wish to obtain further information on farm loans from an investment standpoint, the MBA Farm Loan Committee will be happy to assist, and such a lender could, without doubt, be put in touch with qualified correspondents in any of the farm loan areas of the United States.

(Continued on page 47, column 2)

Servicing Tips from the Top

A monthly department about Mortgage Loan Servicing conducted by W. W. Dwire, Citizens Mortgage Corp., Detroit, and member, Mortgage Servicing Committee

Collecting Interest on Construction Loan Advances

By **RICHARD B. CATON**
Assistant Secretary, Stockton, Whatley, Davin & Company, Jacksonville, Fla.

THIS is a briefed account of our billing procedure covering interest receivable on construction loan advances. The procedure has provided us with the use of a considerable amount of money which was not available under our previous system. The idea may be helpful to others who may be running a heavy construction loan program.

This procedure was developed for two reasons. First, we had a considerable amount of funds tied up in our Interest Receivables on construction loan advances which, under our former system, was not collected until the permanent loan was closed and the construction loan was paid off. However, we still had to pay the banks the interest due them on a monthly basis and, consequently, were losing the use of this money for a period of approximately three months. Since we have started billing our construction clients for interest due on advances on a monthly basis, we have virtually eliminated any differential between our Interest Receivables and Interest Payables for construction loans and consequently have minimized the amount of funds tied up in this phase of our operation. Our Interest Receivables now represent, on the average, the amount due for one monthly period on our present volume of advances, which coincides with our Interest Payables to our banks.

Second, we feel this provides a service to our builders, especially the smaller ones, in that they are informed of their current standing and are able to keep their Interest Payables to us at a minimum, thus reducing the amount of interest they are required to pay when the permanent loans are closed and precluding the possibility of the closing costs amounting to more than they had expected.

The method by which we develop our interest billing starts with each construction loan agreement as it is executed. These agreements are numbered and coded to identify them with the builder, since one builder may have several agreements running with us at one time. Tabulating cards are punched for each property included in each agreement with our loan number, which is assigned at the time the agreement is executed, the amount that is to be advanced in accordance with the agreement and the interest rate, as well as the master identifying agreement number and builder code.

As the advances are made, a list of the loan numbers identifying the individual properties under each agreement, the amount advanced on each

property and other pertinent information is attached to a copy of the check for the advances and on the check proper notation is made as to the number of days on which interest is to be accrued to the end of the month in which the advance is made. At the same time the interest rate is also noted on the copy of the check. These lists and copies of checks are sent to our Tabulating Department, where the advances are punched, identified by loan number, and the interest is accrued in accordance with the number of days noted on the copies of the checks.

At the end of each month, all advances made during that month and the interest accrual calculated at the time they were made, are accumulated and if there were more than one advance for a piece of property, these advances and the accrued interest for them are added together so that we have on one card for each piece of property all advances made during the month and all interest due on the advances. Interest for one full month is then calculated for any advances which had been made prior to the first of the month.

These advance cards are then collated with any corresponding advances made during the current month and summarized so that we end up with one card containing the total amount advanced to date and the amount of interest based on these advances due from the first of the month to the end of the month for each property. These cards are then matched with the detailed agreement cards so that they can be identified with agreement numbers and builder codes, enabling us to sort them and run statements for each builder.

These statements contain an itemization of all properties with outstanding advances, grouped by the various active construction loan agreements that each builder has working at the time. One statement is supplied for each builder and totals are provided by agreement, with a grand total for each statement.

As permanent mortgages are made and construction loans are paid off, advance cards which were used to develop the previous month's statement and the cards for any advances made subsequent to that date are removed from the file. Interest is figured by our Loan Closing Section for the number of days elapsed since the first of the month for the advances which were made prior to that time and for the number of days elapsed since the date of the advances, if any, made since the first of the month in which the loan is closed. In this way, cases closed during the month will not appear on the statements prepared at the end of the month.

>> FARM LOANS ACTIVE: Farm mortgage holdings of the country's life companies were at a record $2,667,000,000 at the start of this year, up about $100,000,000 from the preceding year and well over three times the aggregate at the end of World War II. This represented about 215,000 mortgage loans to farmers, the average loan held on January 1 being $12,400.

Indications are that this year will see an even greater rise in farm mortgage financing by the life companies, as commitments for new farm loans at the start of this year were materially greater than a year ago.

Iowa led all states in life insurance farm loans, with $318,000,000 under 29,000 mortgages, an average of $11,000 per mortgage. Texas was next with $289,000,000 under 19,000 mortgages, an average of $15,200. Illinois was third and California fourth. The average size of mortgage loans outstanding varied widely on a regional basis, the New England and Middle Atlantic States averaging less than $10,000 and the Pacific States, nearly $25,000.

The life companies have supplied nearly one-fourth of total outstanding farm mortgage financing and nearly two-thirds of that provided by financial institutions.

Farm mortgages acquired during 1958 by the life companies totaled $438,000,000, up almost 8 per cent from the year before. Various checks indicate that nearly half are for refinancing of existing mortgages.

During the first half of this year, it is estimated that the life companies have extended new farm mortgage financing in the amount of some $300,000,000 and the total farm mortgage financing on their books had risen to nearly $2,800,000,000 at midyear.

Samuel Ennis Heads Indiana Mortgage Bankers

Samuel C. Ennis, president of Samuel C. Ennis & Co., Inc., Hammond, Indiana, was elected president of the Indiana Mortgage Bankers, Inc. at the group's first annual meeting at Indianapolis. He succeeds Albert A. Savill, president, Savill-Mahaffey Mortgage Co., Inc., Indianapolis. Richard H. Waterfield, president of Waterfield Mortgage Co., Inc., Ft. Wayne, was elected vice president; E. A. Wilhite, vice president, Gary National Bank, Gary, secretary and R. W. Stockwell, vice president, Union Title Company, Indianapolis, treasurer.

The officers, and Past President Savill, comprise the board of directors with the following additions: C. Worth Barnett, Frank Flynn, Paul J. Ivankovig and J. D. Carter. In addition to these, other directors serving out their various terms are J. R. Pearson, Harold L. Bobeck, F. S. Briggs, Dale W. Mitsch, Paul J. Pfister and Frank H. Dunn.

Chicago MBA and 1959 Legislation

Chicago MBA, which not too long ago thought it had succeeded in securing modernized redemption and foreclosure legislation only to find that the bill had a technical defect, tried again this year but was caught in the cross fire of political considerations. Its proposals had for their objective:

1. Reducing the period of redemption from 12 to 6 months,
2. Permitting the court, in an uncontested foreclosure suit, to place the mortgagee in possession, and
3. Simplifying the foreclosure process and the cost thereof by eliminating the need to personally serve with summons virtually all persons except those having an interest of record.

Chicago MBA was anxious to secure remedial legislation to improve, for both lender and borrower, the archaic, complicated, expensive and time-consuming foreclosure laws of the State. The effort, however, fell victim to a combination of factors not the least of which was an adverse political atmosphere during the current session of the Legislature.

The plan is to try again two years hence when the legislature will again be in session. A 75 per cent law was passed at this session, however. It—

1. Grants the right to Illinois insurance companies to make entire first mortgages up to 75 per cent of the value of the property, which value is to be substantiated by appraisals (Bill wording is "property worth at least 33⅓ per cent more than the amount loaned. . . .")
2. Renews the right to make loans on leasehold estates provided the lease runs for at least 25 years.
3. Renews the right for domestic companies to participate in a mortgage provided the other participants are insurance companies authorized to do business in Illinois, or if the domestic company's interest exceeds 50 per cent of the mortgage and provided each participant had an original investment of not less than $200,000.
4. The GI and FHA provisions remain more or less the same except for the latter which includes some minor changes for securities issued by the Illinois Building Authority and some of the so-called "Slum Clearance Activities."

Chicago MBA, oldest of the MBA local groups in the country, as well as the largest, maintained a full schedule of activity on every front during the past year under the direction of Edward W. Asmus, president. Its annual Mortgage Seminar was held at the University of Chicago and is one of the outstanding educational events of its kind held anywhere, comparing in every way with MBA's NYU and SMU conferences.

Kenneth Dealey Is Dallas MBA Head

Kenneth Dealey, manager of mortgage loan division of Maxson-Mahoney-Turner, has been elected president of the Dallas MBA. He succeeds J. D. Vanderwoude as chief executive of the 65-member organization.

Kenneth Dealey

Other officers named include James Biddle, vice president, and Errett Cummings, reelected secretary-treasurer.

Mr. Dealey is a native of Dallas and a 1941 graduate of Southern Methodist University. After serving three years in the Air Force during World War II, Mr. Dealey was associated with a home building firm in Lufkin with responsibility for FHA loans. In 1948, Mr. Dealey joined the Dallas office of T. J. Bettes Company where he was in charge of conventional loans.

He joined Maxson-Mahoney-Turner in 1951. Mr. Dealey has been a member of the Dallas MBA for 11 years and also is a member of the Texas MBA where he currently is vice chairman of the public relations committee.

Here's an honest-to-goodness challenge —

telling those who don't know what they should know about

The Investment Status of FHA and VA Mortgages

IN THE entire field of investment, in the whole area of putting money to work for hire, the most conspicuous missing link is the lack of understanding and appreciation of mortgages by certain types of institutional investors. More specifically, it is the lack of investment consideration which the giant and rapidly-growing pension funds give to mortgage loans and, to simplify further, their lack of consideration of FHA and VA mortgages.

▶ The situation is a paradox—even though the professed reasons why these funds do not invest more heavily in mortgages have had sound merit in the past. Mostly, their objections to mortgages have been met and, in other instances, are being met. But the road ahead stretches some distance into the future before mortgages will occupy their rightful place in pension fund portfolios.

▶ A noteworthy start has been made in that direction with the publication of *The Investment Status of FHA and VA Mortgages* by G. Rowland Collins, Dean, and Jules I. Bogen, Professor of Finance, of New York University, researched and written under a grant from MBA. Every MBA member has received a copy; now the task is to get one into the hands of every type of investor, all of whom will appreciate receiving this carefully-reasoned and well-documented analysis of FHA and VA mortgages. It tells the story of their basic investment merit, their prime security and their unquestioned soundness.

▶ Nothing like it has ever been published before. It is as thorough as the most questioning investor could demand—more, it is convincing, it *proves* why FHA and VA mortgages are attractive for institutional investment second only to U.S. government securities.

▶ There's a job to be done here, a pretty big job. Thousands of copies of *The Investment Status of FHA and VA Mortgages* have been distributed and more go out every week into every corner of the land to every type of investor. Now you as a member can help your industry and the future of your business by purchasing a supply and making your own distribution, accompanied by your personal letter. Write MBA's National Office at 111 West Washington Street, Chicago, for copies you can use at 50c each for quantities of less than ten; for more, 35c a copy.

F. Robert Quinlivan has joined the J. I. Kislak Mortgage Corporation of Florida in Miami to head a newly created department. Quinlivan is in charge of a commercial and multi-family unit division for the Kislak firm. He is president of the Greater Miami MBA and senior member of the Society of Residential Appraisers. He was formerly associated with Stockton, Whatley, Davin Co., as assistant vice president for five years. Prior to that he worked for mortgage banking firms in Florida and in St. Louis.

Milton T. MacDonald, former MBA President, was elected chairman of the board of T. B. O'Toole, Inc. of Wilmington, Delaware and **Herbert A. Melick** was elected president to succeed Mr. MacDonald.


M. T. MacDonald


H. A. Melick

Mr. MacDonald served for 20 years as a vice president of the Trust Company of New Jersey in Jersey City, N. J., until he became president of the O'Toole firm in 1952.

He is a trustee of the Teachers Insurance and Annuity Association, and a director of the Trust Company of New Jersey.

Clarence E. Dunlap has been elected assistant vice president and manager of Palomar Mortgage Company's new Phoenix branch office. He is a practicing attorney and was associated with Reconstruction Finance Corporation and the Federal National Mortgage Association in the past.

Murray L. Tanner, former vice president of Security First National Bank, Los Angeles, has been elected president of Fidelity Bank, Los Angeles, succeeding Stanley M. Stalford, former president and chairman. Mr. Stalford will continue to serve as Chairman of the Board. Tanner has had over 24 years association in the banking field.

Nathan T. Bascom, president, Worcester Mechanics Savings Bank, Worcester, Massachusetts, has been elected president of the Savings Banks Association of Massachusetts. He is a member of the MBA board and was formerly with the Irving Trust Co., New York and later with the State Mutual Life Assurance Co. of Worcester.

Carey Winston, president of Carey Winston Co. in Washington, D. C., has been elected president of Kiwanis International of Washington.

Addison K. Barry, long prominent in mortgage circles, has become a member of the 25-year club of The National Newark & Essex Banking Company of Newark. He is a former president of the New Jersey MBA.

A new type of mortgage organization has been organized in Jacksonville, Florida, the Mortgage Servicers of Jacksonville, formed by the firms in that City which service mortgage loans with the objective of holding monthly meetings to discuss mortgage servicing problems. Fifteen mortgage originating firms are represented in the new organization, as well as the regional offices of FHA and VA.

Colonial Mortgage Company, Inc. of Fort Wayne, Indiana, announced the election of **D. G. Jack Norton** as president. **James B. Griffith,** who has been associated with Colonial for six years, was named vice president and secretary.


D. G. Norton


James Griffith

Other officers are **W. B. F. Hall,** chairman of the board; **Sarah N. Hall** and **E. J. Disser,** vice presidents and directors; **M. C. Ledden,** director; **Cletus Rumschlag,** assistant treasurer; and **Neal MacGiehan,** assistant secretary.

Anniversaries: **Proctor & Co.** in Detroit is celebrating its 25th anniversary. Edward A. Proctor, the founder, is the active head of the Company, Baird F. Roberts, vice president, heads the mortgage department, Woods Proctor is in charge of the insurance department and Edward A. Proctor, Jr. is assistant vice president. The Company has financed real estate transactions of more than $60,000,000 in the Detroit Metropolitan area.

James W. Rouse & Company, Inc. of Baltimore is celebrating its 20th anniversary. Since 1939 the Company has financed approximately 15,000 homes for a total volume of nearly $105,000,000, as well as 132 projects with total rental units of nearly 14,000 and a dollar volume of more than $105,000,000. The Company has been active in urban renewal projects, having financed six of them with total rental units of more than 800, or nearly $10,000,000. The Company has been particularly prominent in shopping centers, having financed 44 with more than 800 stores for a dollar volume of nearly $54,000,000.

Bernard A. Epter, vice president and treasurer of Lawrence A. Epter & Associates, Inc., New York, is chairman of the Real Estate Division in the 1959 Sister Elizabeth Kenny Foundation fund appeal. This is Mr. Epter's second year in the same capacity.

Arthur D. Graham of Worcester has been named assistant superintendent of mortgage loans for Massachusetts Mutual Life Insurance Co. He has had 14 years real estate and appraisal experience and has been in life insurance since 1950. For the past three years he was regional supervisor of mortgages in Dallas for Mutual Life Insurance Co. of New York.

Clifford M. Kurrus of Williams, Kurrus & Co. has been elected president of the St. Louis Junior Chamber of Commerce.

New Members in MBA

ARIZONA, *Phoenix:* National Life & Casualty Insurance Company, Robert C. Bohannan, Jr., treasurer; *Tucson:* The Bank of Douglas, Frank Ramsey, assistant cashier.

CALIFORNIA, *Los Angeles:* Verle N. Frey; *Oakland:* Mortgage Service Co., Milton N. Owens, president.

DISTRICT OF COLUMBIA, *Washington:* Bogley, Harting & Hight of D. C., Inc., Robert J. Franey, vice president.

FLORIDA, *Palm Beach:* Bank of Palm Beach and Trust Company, George E. Patterson, president; *Tampa:* Molton, Allen & Williams, Inc., C. Molton Williams, vice president.

GEORGIA, *Athens:* The Tillman Co., Inc., Thomas M. Tillman, Jr., vice president.

ILLINOIS, *Chicago:* Peat, Marwick, Mitchell & Co., Alan McNaughton, partner.

KANSAS, *Coffeyville:* The Elbel Investment Company, Inc., Cale Oden, vice president; *Wichita:* Elbel Investment Company, Inc., Herman M. Oaks, vice president; Midwest Mortgage Co., Inc., M. K. Gentry, president.

LOUISIANA, *New Orleans:* Eustis & Galbreath, Inc., Claude G. Scanlan, secretary; National American Bank of New Orleans, Eads Poitevent, president.

MASSACHUSETTS, *Boston:* Bernard V. Dill, executive director, Massachusetts FHA Purchasing Group.

MISSOURI, *St. Louis:* South Side National Bank in St. Louis, Jos. F. Furrer, executive vice president.

NEBRASKA, *Omaha:* Home Realty Company of Omaha, H. W. McManus, president.

NEW YORK, *New York:* Excelsior Savings Bank, J. P. Billhardt, executive vice president; Harlem Savings Bank, Francis J. Leahey, vice president; Horace H. Hume.

NORTH CAROLINA, *Durham:* Frederick W. Berens, Inc., Warren Herman, mortgage officer.

OHIO, *Dayton:* Mortgage Securities, Inc., Chadwick Barringer, vice president; *Fairview Park:* Mortgage Securities, Inc., William J. Grealis, vice president; *Toledo:* Toledo Home Mortgage, Inc., W. G. Hodupp, president; *Youngstown:* Mortgage Securities, Inc., Bernard Linder, vice president.

OKLAHOMA, *Tulsa:* The Elbel Investment Company, Inc., W. C. Friman, vice president.

PENNSYLVANIA, *Harrisburg:* Colonial Mortgage Service Co., Joseph P. Curran, branch manager; *Philadelphia:* The Beneficial Saving Fund Society of Philadelphia, Joseph P. Fleming, vice president.

Stop Me If You've Heard—

Wanting to borrow some money to make a six-month tour of Europe, a man went to the bank where he had done business for years. The bank refused the loan.

He went to another bank and obtained the loan without any difficulty. Then he bought a five-pound fish, had it wrapped, and put it in his safety deposit box at the first bank as he joyfully left town for six months.

A lion broke loose from the circus so a posse was formed to track it down. "Before we go," said the sheriff, "let's all step in the saloon and have a drink."

They all had whiskey except little George. "What's the idea of drinking ginger ale?" asked the sheriff. "We're all having whiskey. Why aren't you?"

"Not me," replied George. "Whiskey gives me too much courage."

The wife of a handsome young business executive met her husband one afternoon. As they were going down on the elevator, it stopped and a high octane secretary got on. Poking the businessman in the ribs, she winked and said, "Hello, cutie pie."

Unperturbed, the young man's wife leaned toward the secretary and smiled sweetly.

"I'm Mrs. Pie," she said.

Biology Professor: My next lecture may be somewhat embarrassing to some of you coeds, so you may stay away if you wish.

Modern Miss: Could I bring several of my friends?

The wife in one household made a specialty in serving meals with as many leftovers as possible. One night the menu consisted entirely of leftovers which she had daintily prepared with many clever attempts to camouflage. The moment her husband sat down he began to fill his plate.

"My dear," she remonstrated, "aren't you going to ask a blessing first?"

"My love," he replied, "if you will point out a single article here which hasn't been blessed before, I'll see what a little praying can do for it."

A fellow went to a psychiatrist and told him: "My wife thinks she's a golf ball."

"Where did she ever get that idea?"

"Search me, she never goes more than about 10 feet when I hit her with a driver."

When a man looks a girl in the eye, she'd better do something about her figure.

•

The trouble with political jokes is that they often get elected to office.

•

A bore is one who opens his mouth and puts his feats in it.

•

Old timers recall when a fellow wondered where his next dollar was coming from instead of where it had gone.

•

A tourist is a man who travels to see things that are different and then complains when they aren't the same.

•

There's a new gadget that keeps the inside of your car quiet. It fits over her mouth.

•

Sign beside a street excavation in a Texas town: "When you gotta grow, you gotta grow!"

There was the guy who shot himself when he heard a radio commentator say that taxes would be bigger. He thought the commentator had said Texas.

•

AFTER DINNER SPEAKERS

They keep you in stitches
with laughter
'Till it's time to go home
and long after.

•

A man today owes it to himself and his family to become successful. Once he becomes successful, he owes it to the Bureau of Internal Revenue.

And you know what a taxpayer is. He's a man who doesn't have to pass a civil service exam to work for the government.

•

"It's difficult to be a bank president after serving in congress. You see all that money and you want to spend it!" — *William Dawson, bank president and former congressman.*

•

"When you hit 70, you eat better, you sleep sounder, you feel more alive than when you were 30. Obviously, it's healthier to have women on your mind than on your knees."

—*Maurice Chevalier*

•

"An appeaser is one who feeds a crocodile—hoping it will eat him last." —*Winston Churchill*

In 1861, the Pony Express was just nine months old and fast becoming an American Legend. Operating out of St. Joseph, Missouri, its hardy riders covered the 1,960 miles to California in just eight days. That same year saw the beginning of Kansas City Title Insurance Company. Today mortgage bankers rely on its financial strength and experience gained from nearly 100 years of service.

Title Insurance...
For fast relay of mortgage transfers

Ride roughshod over the delays and inconveniences of title tie-ups with a Kansas City Title Insurance Company policy. It gives you speedier and more profitable mortgage transfers. It gives your customers the predetermined title security they demand.

Call in a Kansas City Title Insurance Company agent today for complete title service that saves your time and protects your profits.

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Directory of Agencies furnished on request.